



Addis Ababa University School of Commerce Graduate Program

**The Effect of Financial Reward on Employees'
Performance: The Case of Commercial Bank of Ethiopia:
North Addis Ababa District.**

**A Research Paper for the Partial Fulfillment of MA Degree
in Human Resource Management
(MHRM)**

BY: Shiferaw Mekonnen

Advisor: Wubshet Bekalu (PHD.)

June 2017

Addis Ababa
University
(Since 1950)



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District.**

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Declaration

I Shiferaw Mekonnen, declare that this work entitled **The Effect of Financial Rewards on Employees' Performance: The case of Commercial Bank of Ethiopia North Addis Ababa district** is outcome of my own effort and that all source of materials used for the study have been duly acknowledged. I have produced it independently except the guidance and suggestion of the research advisor. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Art in Human Resource Management.

Shiferaw Mekonnen

Signature _____

Date _____

Statement of Certificate

This is to certify that Shiferaw Mekonnen has carried out his research work on the topic entitled **The Effect of Financial Rewards on Employees' Performance: the Case of Commercial Bank of Ethiopia North Addis Ababa District** for the partial fulfillment of Masters of Art in Human Resource Management at Addis Ababa University-School of Commerce. This study is an original work and not submitted earlier for any degree either at this University or any other University and it is suitable for submission of Masters Degree in Human Resource Management.

Advisor: Wubeshet Bekalu(PHD)

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Shiferaw Mekonnen

Acronyms

CBE: Commercial Bank of Ethiopia

CBE: Commercial Bank of Ethiopia

CRO: Customer Relation Officer

CSO: Customer Service Officer

KYC: knowing your Customer

PMS: Performance Management System

SCSO: Senior Customer Service Officer

SD: Standard Deviation

SPSS: Statistical Package for Social Sciences

ABSTRACT

This study sought to find out that the Effect of Financial Reward on Employees' Performance in Commercial Bank of Ethiopia. In order to achieve the research objectives the researcher used a descriptive type of research studies. The study is guided by three research questions; which seek to answers whether the financial reward has effect on' performance of CBE employees. Data were collected through questionnaire and interview prepared based on various scholars work. Considering the manageability of number of employees in the bank, sample for the study was taken from only Commercial Bank of Ethiopia North Addis Ababa district. This is because, for the homogeneity and similarity of the bank's structure and for the convenience of the area to collect the questionnaire. To select the required sample size; the researcher used multi-stage sampling method. Descriptive statistics based frequency tables and charts were used to provide information on the variables. The validity of the instrument was checked and internal consistency of the instrument was measured using Cronbach Alpha. The values of correlation coefficient shows there is significant relationship within payment, benefit and Employees' performance. However the relationship is stronger between benefit and employees' performance as compared to the payment. Hypotheses were developed and tested to see the effect of all the independent variables (payment and benefit) on the dependent variable (Employees' Performance). The findings obtained indicated that both payment and benefit have a strong and positive influence on employees' performance. Furthermore, it provided suggestions to overcome the problems to improve employees' performance.

Key words: Employees' Performance, Financial Reward, Payment, Benefit,

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Chapter One

Introduction

1.1 Historical Background of the Organization

Commercial Bank of Ethiopia is the leading bank in Ethiopia established in 1942. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. It introduces modern banking to the country. It has more than 1100 branches stretched across the country. It becomes the leading African bank with assets of Birr 359.3 billion as on March 31st 2016. It plays a major role in the economic development of the country.

Following the technological advancement, CBE takes the first place to introduce ATM service for local users. It is also a pioneer to introduce Western Union Money Transfer Services in Ethiopia around 1990's and currently working with other 20 money transfer agents.

The major services rendered by CBE are domestic banking, international banking, and E-payment. Currently CBE has more than 12.4 million account holders and the number of Mobile and Internet Banking users also reached more than 600,000 as of March 31st 2016. Active ATM card holders reached more than 1.1 million. It has strong correspondent relationship with more than 50 renowned foreign banks and a SWIFT bilateral arrangement with 700 others.

CBE combines a wide capital base with more than 25,000 talented and committed employees. In addition to this, it has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. CBE has opened four branches in South Sudan and has been in the business since June 2009. CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world.

Mission of the organization is committed to best realize stakeholders' values through:

- Enhanced Financial Intermediation Globally,
- Supporting National Development Priorities,
- Deploying highly motivated, skilled and disciplined employees as well as state of the art technology.

Values of the organization are

- Integrity;
- Customer Satisfaction;
- Employee Satisfaction;
- Learning Organization;
- Teamwork and Collaboration;
- Public Trust;
- Value for Money;
- Decentralization;
- Corporate Citizenship

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

1.2 Background of the Study

Most organizations seek to optimize their return on investment and in order to do that they need to be efficient. One way to improve the productivity is to optimize the utilization of the organizations' human capital (Appelbaum and Hare, 1996). In order to maintain the organizational efficiency and productivity, the managers and board members can use different steering instruments to control the activities in the company. One of these steering instruments available is the use of a reward system which purpose is to motivate the employees to act in the best interest of the organization as well as to reach organizational goals.

A motive is a reason for doing something – for moving in a certain direction. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal – a valued reward that satisfies their particular needs. Well-motivated people are those with clearly defined goals who take action that they expect will achieve those goals (Armstrong, 2007).

To motivate employees to act in the best interest of the organization as well as to reach organizational goals organizations develop reward management police. Reward is the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service (Zhou Jiang, Qian Xiao and others 2009). Organization provides rewards in the form of financial reward as well as non financial reward. Financial reward is a remuneration

which delivered to employees in the form of pay, bonuses, fringe benefits, transportation facility, medical facility, health and life insurance and benefits like vacation with pay meal facilities.

Non financial reward; Rewards which do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high quality leadership (Michael Armstrong,2009).

The question which can be asked here is why organization expends scarce resource on reward? In current environment all organizations want to be successful, every company irrespective of size and market strive to retain the best employees, acknowledging their important role and influence on organizational effectiveness. In order to overcome these challenges, companies should create a strong and positive relationship with its employees and direct them towards task fulfillment.

In every organization one of the most fundamental concerns of reward management is how high levels of performance can be achieved by motivating people. A typical aim of reward strategy of most organization is development of a performance. It is therefore necessary to understand the factors that motivate people and how, in the light of these factors, reward processes and practices can be developed that will enhance motivation, job engagement, commitment and positive discretionary behavior.

People have many needs that are continuously competing one with another. Each person has a different mixture and strength of needs, as some people are driven by achievement while others are focusing on security. Some are motivated by intrinsic motivation; some are motivated by extrinsic motivation by considering this characteristics most organization implement both financial as well as non financial rewards to its employees.

The commercial bank of Ethiopia and other banks in Ethiopia compete to take the lion share on the banking industry of the country by providing excellent services to customers. Most banks and/or other industries in Ethiopia including CBE engaged themselves on activities like delivering alternative payment channels to their customers and on resource mobilization..

Top managements of banking organization like Commercial bank of Ethiopia may believe on the importance of motivating employee. But the fruits of motivating employee or its application seem to be not manifested in the service environment.

Employee's activities are the major factor for the successes and failure of any organization. Without workforce, productivity service delivery and finally profitability of any organization declines. To overcome this CBE provides the employees with both financial as well as non financial reward towards their achievement.

However CBE has a big range of employees from the non-clerical staff to the clerical staff; the bank applies narrow in rage and almost similar in its type of financial rewards for all of the positions, that may leads the banks effort to motivate the employees unfruitful.

This research therefore, assessed the effect of financial rewards on employee performance of the selected service industry, i.e. Commercial Bank of Ethiopia North Addis Ababa District and the complimentary role of employees through relating the effect of financial rewards on employees' performance. Besides this the paper assessed the practical application of the concept with the gap discovered and recommends the possible way out to cover the loophole.

1.3 Statement of the Problem

Organizations consist of human capital that all have their own interests with their work that might not always be aligned with the organizations. In order to influence and motivate employees, managers have plenty of available strategies. One of the widely used strategies is employee reward management. Reward management is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals (Armstrong, 2007). According to the author, organization can reward their employees in the form of payments and employee benefits. In addition to this non-financial reward such as recognition, learning and development opportunities and increased job responsibility are also equally concerned. One the fundamental aims of reward management is to develop a high-performance culture.

Researchers, practitioners and scholars have established that there is a positive link between reward management and desired performance. A well designed incentive program rewards measurable changes in behavior that contribute to clearly defined goals. The challenge in developing such a program lies in determining what rewards are effective agents of change, what behaviors can be changed and the cost and benefits of eliciting change (Hartman, 1994).

CBE is an organization that offers banking services that support other sectors of the economy. The management has established financial rewards in their organization. However, the extent to which financial reward influence employee performance is not established. This study therefore aimed at determines the effect of financial rewards on employee performance at Commercial bank of Ethiopia North Addis Ababa district.

Much has been done on employees' motivation and its effect on performance. Thomas Owusu (2012) conducted a study on the Effect of Motivation on Employees' Performance at Ghana Commercial Bank Kumasi zone. The research revealed various findings and some of the findings are contradicting because the researcher has focused on different variables, organizations and even countries. Filipos Kassa Tereda (2015) also conducted a study on the effect of motivational practice on employees' performance at Commercial bank of Ethiopia; the research revealed various findings; the researchers have focused on different variables which are motivation and performance. However, it is still un answered question remains that; why do CBE employees still experience motivational problems which result in decreasing the degree of employees' performance. In addition, it is worth to study specifically the effect of financial reward on employees' performance than studying the effect of motivation in general because the researcher believe that it significant to study one factor of motivation which is financial reward to overview the issue in detail. Thus the researcher established the research so as to fill the gap.

1.4 Basic Research Questions

The researcher formulates the following research question from the statement of the problem;

1. What are the current features of financial reward practices of the organization?
2. To what extent do financial reward variables contribute to employees; performance?
3. How do financial rewards affect employees' performance?

1.5 Objective of the Study

General objective

The general objective of this paper is:

- To ascertain the effect of financial reward on employee perceived performance in Commercial Bank of Ethiopia North Addis Ababa district.

Specific objectives

The specific objectives of this paper are:

- To assess the current features of financial reward practices of the organization.
- To identify the extent do financial reward variables contribute to employees' performance.
- To find out how financial rewards affect employees' performance.

1.6 Hypothesis

For the purpose of analyzing the relationship between financial reward variables and employees' performance, the following hypotheses have been proposed.

H1: There is significant relationship between payment and employees' performance.

H2: There is significant relationship between benefit and employees' performance.

H3: There is a significant difference on the effects of payment and benefit on employees' performance.

1.7 Significance of the Study

The purpose of this study is to determine the effect of financial rewards on employees' performance. Since most bank services are easy to duplicate and provides nearly identical services; they can only distinguish themselves on the basis of quality of service. To provide quality service employees' should have to be motivated.

The significance of this study is that it sheds light on the extent of financial reward practice in banking industry. The results of this study might serve as input for the organization to assist in decision making, in identifying key variables in order to develop strategies to address and improve the reward practice of the organization.

Therefore, the paper potentially tries to look if financial rewards have effect on employee performance. And it also provided additional information for those interested on the kinds of financial reward CBE provides for its personnel. This thesis used as a reference for further research on the issue. The study also intends to empirically inform decision makers and other stakeholders the problem at hand, suggests the possible ways and means of tackling the problem, try to fill the gaps between theoretical model and practical application of the concept.

1.8 Delimitation of the Study

The study may be more important if it was included all employees of commercial bank of Ethiopia found in Ethiopia and South Sudan but given difficulty of analyzing, organizing, and interpreting the data gathered by the researcher's capacity, and the time given for the study, it confined itself to one district (CBE North Addis Ababa District) from fifteen districts of the bank. This indicates the geographical scope of the study.

This study was conceptually delimited to examining the effect of financial rewards on employee perceived performance by considering types of financial reward practices and which factors have effect on performance of the employees and to see whether or not there is a link between the financial rewards and performance's of employees. However, there was no comparison made with other banks within the same industry. Because of this the results of this research cannot be generalized to other banks.

1.9 Limitation of the Study

Data constraints were one of the limitations of this study; because this only questionnaire, interview and some secondary sources were used to get primary and secondary data. The generalization of the result of this research is doubtful as the research is to be conducted only on one district. It could have been better if research incorporate all districts of CBE to investigate the effect of financial rewards on employees' performance.

1.10 Operational Definition of Terms

The following key terms used and defined in the research paper

Employees; According to Article 3 of the Labor Proclamation No. 377/2003; Employee means a person who has an employment relationship with an employer. For the purpose of the study,

employees will be all personnel in the bank except the top level management as the latter is the one who is believed to be in the position to motivate employees.

Reward; a process required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. Rewards can be defined as systems, programs and practices that influence the actions of people and facilitate the organizations strategic goals and the goals of individual employees (Maund, 2001).

Financial reward; For the sake of this study, the researcher considers all financial rewards as rewards that can be linked to a cost for the organization. This is done regardless if the reward itself will contribute any money in terms of cash to the employee. It is a remuneration which has the value of all cash payments (total earnings) and benefits received by employees.

Non financial reward; Rewards which do not involve any direct payments and often arise from the work itself. (Michael Armstrong, 2009).

Motivation; it's something need or desired that causes the person to act, motivate interns means to provide with motivation and motivation defined as the acct or process of motivating (Nancy h shanks, 2009).

Performance; it's a directed and planned activity towards the accomplishment of organization's over all mission and goals.

Benefit: - is a benefit which employees get from the organization in the form of indirect cash payment.

Payment: is a payment which employees get from the organization in the form of direct cash payment.

1.11 Organization of the Research

The study organized into five chapters. Chapter one introduce the study by giving the background information, the research problem, research question, objectives, and significance of the study, delimitation and limitation of the study, definition of terms and organization of the Study. Chapter two deals with the review of relevant literature on the research topic. Chapter three discuss the research methodology adopts for the study and relevant justifications. It outlines

the methodology for carrying out the secondary and primary data collections. Chapter four presents the analysis and findings of the paper. Finally, chapter five presents the conclusions that were draw from the research findings and recommendations to enhance employees' performance through various types of financial rewards.

Chapter Two

Literature Review

2.1 Introduction

This chapter deals with theoretical parts and empirical reviews of the related studies on the effect of financial reward on employees' performance. Definition of the concepts by different authors; aims and context of the reward management; relationship between reward and performance; types of reward system are discussed in detail. Furthermore conceptual framework of the study are presented in figure to explain the key concepts used in the study.

2.2 Definition of Employees' Performances

Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right the product of mental and physical effort applied to tasks and can be judged apart from results (Armstrong, 2006).

From the point view of how performance are measured; Kenney et al. (1992) stated that employee's performance is measured against the performance standards set by the organization. There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures (Ahuja, 1992).

In addition to this as noted by Draft (1988), it is the responsibility of the company managers to ensure that the organizations strive to and thus achieve high performance levels. This therefore implies that managers have to set the desired levels of performance for any periods in question. This they can do by for example setting goals and standards against which individual performance can be measured.

In general companies ensure that their employees are contributing to producing high quality products and/or services through the process of employee performance management. This management process encourages employees to get involved in planning for the company, and therefore participates by having a role in the entire process thus creating motivation for high performance levels.

2.3 Dimensions of Employees' Performance

Employees work performance is an issue that has not only grasped companies all over the world but also fueled a great deal of research in fields of management. Numerous studies on individual work performance have been conducted. Thus various Employees' performance dimensions are developed some of them are task Performance, and contextual performance.

2.3.1 Task Performance

Task performance can be defined as the proficiency (i.e., competency) with which one performs central job tasks (Linda K. et al. 2011). The author further stated that the first two dimensions, job-specific task proficiency (core job tasks) and non-job-specific task proficiency (tasks not specific to a given job, but expected of all employees), represent task performance. Task or in-role performance is relevant for every job and is defined as those officially required outcomes and behaviors that directly serve the goals of the organization

According to the author some indicators of task performance are completing job tasks, work quantity, work quality, job skills, job knowledge, keeping knowledge up- to-date, working accurately and neatly, planning and organizing, administration decision making, solving problems, oral and written communication, monitoring and controlling resources.

In relation to this Lominger's ten Performance Dimensions are provide a great way to look at almost every job and provide a great framework to guide and develop people in their roles these include:

1. Quantity of Output of Work: Quantity or amount of work produced personally or from a group or team on assignments/tasks/projects/ products/services without regard to any other factors like quality or timeliness of the work.
2. Timeliness of Delivery of Output: Timely delivery of goods and services in terms of schedules, deadlines, goals and targets without regard to other factors like quality and resourcefulness.
3. Quality of Work Output: The quality of goods and services produced in terms of errors, waste and rework required to meet standards, not considering other things like timeliness or quantity.

4. Use of Resources: The efficiency of use of time, money, materials and people to produce the required goods and services without considering other factors like timeliness or quality.
5. Customer Impact/Value Added: The extent to which the goods and services produced meet the expectations of the internal and external customers.
6. Freedom From Unplanned Support: The amount and intensity of supervision and support necessary to perform up to standard.
7. Team/Unit Contribution: Unrelated to personal or group performance is helpful to others in the unit or organization in getting work done or setting a tone of cooperation.
8. Productive Work Habits: The extent to which overall work style is effective and productive in terms of time management, setting objectives and priorities, and following up on commitments across a variety of work challenges.
9. Adding Skills and Capabilities: The extent to which any capabilities were added to the current portfolio of skills, attitudes and knowledge in order to get work done and build for the future.
10. Alignment and Compliance (Walking the Talk): The extent to which this person behaves in a way that is aligned with the values, culture and mission of the organization without regard to how well they do their work.

2.3.2 Contextual performance

Contextual or extra-role performance or citizenship behavior is defined as discretionary behaviors on the part of an employee that are believed to directly promote the effective functioning of an organization without necessarily directly influencing the employee's productivity (Linda K. et al. 2011). The author further defined Contextual performance as actions that go beyond what is stated in formal job descriptions and that increase organizational effectiveness highly depends on such extra-role actions.

Some indicators of contextual performance are extra tasks, effort, initiative, enthusiasm, attention to duty, resourcefulness, industriousness, persistence, motivation, dedication, pro activity, creativity, cooperating with and helping others, politeness, effective communication, interpersonal relations and organizational commitment.

2.4 Definition of Reward.

Reward has been defined in various ways by different scholars. 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 J., Qian X., Henan Q.and Lei X., 2009).

Reward has compensatory function; it is an exchange of the service one employee has offered or the retribution for the done work. In addition, motivation is another function of reward, for working quality, the degree of focusing on customers and enthusiasm of learning new skills will be influenced by the decision-making of reward and the ways in which employees get their rewards. Regulatory function of reward is embodied in several aspects which include reasonably allocating labor force and modulating the configuration of quality of labor force. And it is obvious that reasonable reward system can help bring effectual income far beyond the cost.

Furthermore Bratton and Gold (2003) defined rewards as “all the cash, non-cash and psychological payments provided by an organization in return for their contribution”. According to this definition reward included both financial reward as well as non financial reward that provided to employees based on their performance. In relation to this, Malhotra, Budhwar and Prowse, (2007) defined reward as the benefits workers receive from their workplace and are considered the determinants of job commitment and satisfaction.

Gross and Friedman (2004) view rewards to include compensation (consisting of base pay, short and long term incentives), benefits (health issues, work/ life, and other benefits), and careers (training and development, career progression). Even though this definition seems different from the above definition we can categorized compensation and benefit in to financial reward and careers in to non financial reward.

Armstrong (2009), on his part defined the reward system as consisting of a number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there.

The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility. In general the reward system consists of all organization components- including people, process, rules and decision making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organization (Puwanenthiren, 2011).

2.4.1 The Concept of Reward Management

Reward has been defined in various ways by different scholars. Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization (Michael Armstrong, 2009). He went further to explain that rewards are usually administered to increase the probability of an event occurring, depending on the saliency and direction of the controlling and informational aspects of the reward.

Employee Reward system is the tools available and used by the employers in order to attract, retain, motivate and satisfy their employees (Armstrong, 2003). According to this definition reward management is a tools that managers used to attract qualified personnel and a tool to enhance employees' performance. The concept of reward system also includes all investment made in the organizations human capital and everything that the employees find attractive in the employment relationship

Reward management in every organization should based on a well articulated philosophy and guiding principles that are consistent with the values of the organization. According to the reward management philosophy, human resource management (HRM) is about investing in human capital from which a reasonable return is required. Every organization expects return on investment. To accomplish this organization expected to reward people differentially according to their contribution.

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

According to Michael Armstrong, (2009), reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, and then it is proper to reward people differentially according to their contribution.

Furthermore the author list down the following principles of reward management.

a. **Distributive Justice:** - As defined by Leventhal, (1980) distributive justice refers to how rewards are provided to people. They will feel that they have been treated justly if they believe that the rewards have been distributed in accordance with the value of their contribution, that they receive what was promised to them and that they get what they need. Distributive justice perceptions are those related to the felt-fairness of locative decision-making outcomes (as opposed to decisional processes). Clearly, reward outcomes are especially pertinent to distributive felt-fairness and, in particular, to feelings of reward injustice and dissatisfaction. As we shall see, employee cognitions here are likely to be informed by both absolute and relative considerations. Theories developed to explain distributive justice perceptions tend to highlight both considerations. The ‘norm of contribution’ – also known as the ‘equity norm’ – proposes that rewards should be commensurate with the effort or contribution made. To this, however, must be added the norm of relative or comparative worth. This asserts that for an employee to regard her rewards as fair she must see them as being proportional to the rewards received by some comparison group or individual. Importantly, the comparator individual may be another person altogether or an imagined past or future self. The stronger the perception that the rewards allocated are unfair in either absolute or relative terms, the greater the potential for breach of the psychological contract (Shields, 2007).

b. **Procedural Justice:** - Procedural justice refers to the ways in which managerial decisions are made and reward policies are put into practice. There is nothing to indicate that either assessors or assesses have received prior training in system content, nor that system purpose has been communicated to stakeholders in advance. As such, none have received adequate notice of

assessment procedures. Given the system's evaluative intent, the application of a single ranking system to individuals performing in different job categories is unfair as well as invalid. Uniform ranking of this type also assumes reliable assessment across different assessors and job categories yet, as we have seen, this instrument is riddled with potential for inter-rater inconsistency and hence for unreliability and felt-unfairness. For those liable to be retrenched, the absence of adequate notice and opportunity to improve is a violation of due process (Shields, 2007). According to Tyler and Bies, (1998) the five factors that affect perceptions of procedural justice are:

1. The viewpoint of employees is given proper consideration.
2. Personal bias towards employees is suppressed.
3. The criteria for decisions are applied consistently to all employees.
4. Employees are provided with early feedback about the outcome of decisions.
5. Employees are provided with adequate explanations of why decisions have been made.

c. Fairness: - A fair reward system is one that operates in accordance with the principles of distributive and procedural justice. It also conforms to the 'felt-fair' principle formulated by Eliot, J. (1998). This states that pay systems will be fair if they are felt to be fair. The assumptions underpinning the theory are that: there is an unrecognized standard of fair payment for any level of work, unconscious knowledge of the standard is shared among the population at work, pay must match the level of work and the capacity of the individual to do it and People should not receive less pay than they deserve by comparison with their fellow workers.

This felt-fair principle has passed into the common language of those involved in reward management. It is sometimes used as the final arbiter of how a job should be graded, possibly overriding the conclusions reached by an analytical job evaluation exercise (the so-called 'felt air test'). Such tests are in danger of simply reproducing existing prejudices about relative job values.

c. Equity: - Equity is a theory that attempts to explain relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships. Considered one of the justice theories, equity theory was first developed in 1963 by John Stacey

Adams, a workplace and behavioral psychologist, who asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1965). The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization. Equity is achieved when people are rewarded appropriately in relation to others within the organization. Equitable reward processes ensure that relativities between jobs are measured as objectively as possible and that equal pay is provided for work of equal value.

d. **Consistency:** - A consistent approach to reward management means that decisions on pay do not vary arbitrarily without due cause between different people or at different times. They do not deviate irrationally from what would generally be regarded as fair and equitable.

The problem with rating scales is that it is difficult to ensure that a consistent approach is adopted by managers to rating throughout an organization. There is plenty of room for subjective and biased judgments and this creates difficulties when rating decisions are converted into contingent pay decisions. Performance-related pay schemes have often failed because the people affected do not trust their managers to be fair. According Armstrong .M and Stephens .T, (2005), the approaches that can be adapted to achieving consistency are forced distribution, ranking systems, training, calibration (peer reviews) and monitoring.

e. **Transparency:** - Transparency, as used in science, engineering, business, the humanities and in a social context more generally, implies openness, communication, and accountability. Transparency is operating in such a way that it is easy for others to see what actions are performed. It has been defined simply as "the perceived quality of intentionally shared information from a sender". For example, a cashier making change after a point of sale transaction by offering a record of the items purchased (e.g., a receipt) as well as counting out the customer's change on the counter demonstrates transparency (encyclopedia).

Transparency exists when people understand how reward processes function and how they are affected by them. The reasons for pay decisions are explained at the time they are made.

Employees have a voice in the development of reward policies and practices.

f. **Contextual and Culture Fit:**-The design of reward processes should be governed by the context (the characteristics of the organization, its business strategy and the type of employees) and the organization's culture (its values and behavioral norms). Account should be taken of good practice elsewhere, but this should not be regarded as best practice, i.e. universally applicable. Best fit is more important than best practice.

g. **Fit for Purpose:**-The formulation of reward strategy and the design of the reward system should be based on an understanding of the objectives of reward management and should be developed to achieve that purpose.

2.4.2 The Aims of Reward Management.

There are several purposes of having a reward system and the most significant purposes in every organization are increasing effectiveness and efficiency. As cited by Niemi and Pellas (2009), in order to reach this purpose it is important that the organization creates a reward system where the employees and the organization strive towards the same direction (Hughes, 1965). This can be done using the Goal Setting Theory. The organization has to know where they want to be in the future in order to know how to get there; i.e. means and ends. However, it is not only organizational goals that exist within an organization; there are personal goals as well which every individual in the organization has set up for themselves. The organizational goals and the individual goals do not need to be the same but both need to be compatible and achievable. This can be done by informing the employees about the organizational goals and letting the employees be part in reaching these goals. This should be done in such a way that the employees can set up personal goals for themselves, which will lead to increased motivation to reach both the organizational goals as well as the personal goals. It should be noted that if an individual does not identify with the company and its purpose, the individual will have difficulties in finding meaning with their work (Ibid).

As cited by Yared Kebede (2016), Organizations reward system must be equitable and consistent to ensure equality of treatment and compliance with the law. In addition, there should be a fair reward for the individuals' contribution to the organization, although in most cases these contributions are difficult if not impossible to measure objectively. Given this limitation, measure should be as fair and equitable as possible (Moorhead,G., 1992). G.Mujtaba,B. (2010) have showed that, the existence of an increasingly demand on corporations to develop reward

programs that are motivating employees to work harder and faster. These programs usually educate and encourage associates to become more productive, efficient and valuable individuals in the company. However, due to the pressures related to performance and incentives or in effective implementation procedures, in some cases, these programs can encourage unethical behaviors.

Thus, firms need to have appropriate pay systems that encourage and reward employees to always stay focused on their efforts in an efficient manner and to always do the right thing. At the meantime, managers and entrepreneurs should be moving toward greater alignment between performance management and company strategies, values, and quality measures. Thus, reward should be linked with goal setting, employee development, competency measures, and team performance. The researchers also noted that, an effective reward system could have the power that affects the morale and productivity of each individual (G.Mujtaba,B. 2010).

According to Michael Armstrong (2006), the aims of reward management are to:

- reward people according to what the organization values and wants to pay for;
- reward people for the value they create;
- reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- develop a performance culture;
- motivate people and obtain their commitment and engagement;
- help to attract and retain the high quality people the organization needs;
- create total reward processes that recognize the importance of both financial and non-financial rewards;
- develop a positive employment relationship and psychological contract;
- align reward practices with both business goals and employee values; as Brown (2001) emphasizes, the ‘alignment of your reward practices with employee values and needs is every bit as important as alignment with business goals, and critical to the realization of the latter’;
- operate fairly – people feel that they are treated justly in accordance with what is due to them because of their value to the organization: the ‘felt-fair’ principle of Jaques (1961);

- apply equitably – people are rewarded appropriately in relation to others within the organization, relativities between jobs are measured as objectively as possible and equal pay is provided for work of equal value;
- function consistently – decisions on pay do not vary arbitrarily and without due cause between different people or at different times;
- Operate transparently – people understand how reward processes operate and how they are affected by them.

2.5 The context of Reward Management

Reward management is influenced by both internal as well as external environments. The internal (corporate) environments and the external environment can exert considerable influence on reward strategy and policies of the organization. Armstrong (2006), list down some of the internal and external environments that affect reward strategy and policies of the organization some of them are:

- i. **Corporate Culture:** - Corporate or organizational culture are one of the internal strategy that can affect reward policy of the organizations. Corporate or organizational culture consists of shared values, norms, attitudes and assumptions, which influence the way people act and the way things get done. A positive culture can work for an organization by creating an environment conducive to performance improvement. The wrong culture can work against an organization by erecting barriers that prevent the attainment of reward strategic objectives. These barriers include resistance to change and lack of commitment. To develop positive culture organization the core values of the organization should shared throughout the firm, so that the enterprise can be described as ‘value-driven’. These values may influence policies in such areas as performance management, paying for contribution, resolving the often competing pressures for internal equity and external competitiveness, the equity and ‘transparency’ of reward arrangements and the extent to which employees are involved in the development of reward processes and structures. This indicates that organizations like CBE should give adequate care that the corporate culture goes together with the reward policy of the company.
- ii. **The Business of the Organization:** - the other internal environment is the business organization. Every organization be it, manufacturing, profit-making service or non profit-

making organization it has core value which will influence the type of people it employs and the degree to which it is subject to turbulence and change.

- iii. **Technology:** -technology is one of the external environments that can affect the context of reward management. In globalization word, technology changes frequently because of this the introduction of new technology may result in considerable changes to systems and processes. Different skills are required; new methods of working and therefore new reward are developed.
- iv. **People:** -the type of people organizations employed can be considered as internal factors. The type of people employed and therefore the approach to reward will clearly be dependent on the type of business and its technology. To attract, acquire, develop, motivate and retain people who can make the difference and can create unique competitive advantage, organization should frequently consider its reward policy and strategy.
- v. **Business Strategy:** - business strategy of the organizations is the internal environment that can affect the reward policy of organizations. Because of this every organization needs to integrate reward and business strategies. This means, combining them as a whole so that they contribute effectively to achieving the mission or purpose of the organization. Whenever organizations change their business strategy and/or your HR strategy, their reward strategy may need to respond.
- vi. **The Employees' Point of View:** - the other internal environment that can influence the context of reward management is employees' point of view. In every organization, employees' involvement is crucial to the development of reward policies and programs also wishes of employees need to be ascertained and their comments on existing practices should be listened to and acted upon. In addition to this they should be involved in the development of new reward processes. More over some of the external environments that affect reward strategy and policies of the organization are:
- vii. **Globalization:** - one of the major external environments that can affect the context of reward is globalization. Globalization requires organizations to move people, ideas, products and information around the world to meet local needs because of this they need to update the reward policy and strategy of the organization according to specific contexts of the local organization.

- viii. **Employment Trends:** -employment trend can affect the context of reward management. Organizations demand for skills and qualifications increasing, especially for managerial and professional workers, knowledge workers, customer service staff, technical and office staff and skilled manual workers. Because of this skill shortages associated with low levels of unemployment, influences reward strategies designed to attract and retain people.
- ix. **Demographic Trends:** - demographic trends like falling in birth rates and declining mortality rates and increasing longevity throughout the developed world make the labour pools are shrinking, traditional reward practices and mindsets have been encouraging a further reduction in employment with early retirement through defined benefit pensions arrangements in the 1990s helping to explain falls in the average age of retirement for both men and women.
- x. **Rates of Pay in the Market Place:** -the last but not the list external environment is rate of pay in the market place. Rates of pay and pay reviews within organizations exert a major influence on the organizations. For this reason the market or going-rate levels and movements have to be taken into account by organizations if they want their pay to be competitive.

2.6 Relationship between Rewards and Performance

Rewards can be used to improve performance by setting targets in relation to the work given. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more (Maund, 2001). This indicates that organizations should create link between organizational goal, employees' performance and reward. Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006).

Thomson & Rampton, (2003), further maintains that, organizations that reward employees more often improves employees' performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance.

Another way through which organizations can use reward systems to increase output is by personalizing the reward. In other word, when rewards tend to be so general, employees do not value them. To resolve such problem organizations can incorporating appraisal or promotion for employees who have a good record of performance. Also managers should be on the lookout for employees who perform well.

On the other hand, performance improvement can be obtained by identifying a shared vision of where the organizations want to be and clarifying the role of each employee in that process. However, even though there is goal clarity if individuals are not rewarded based on their performance, their performance would not be consistent.

There is empirical evidence that reward and employee engagement are the two sides of a single coin. Gomez-Mejia, Balkin, & Cardy (2005) outlined that the main objectives of any compensation and performance system is to motivate employees to work harden and help managers to decide who should be paid more based on individual contribution respectively. Thus Winfield, Bishop, & Porter (2004) indicates that there was a big growth in pay systems linked to individual performance from the mid of 1980s, particularly performance related pay.

2.7 Types of Reward Systems

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. To achieve this reward management must attain a state of total reward where both the financial and nonfinancial rewards are considered. In relation to this there are several types of reward systems that organizations can use however the most authors classified reward as intrinsic and extrinsic. As cited by Jesca N. Kikoito(2014), intrinsic reward system is those that are inherent in the job and which the individual enjoys as a result of successfully completing the task or attaining his goals (Tifflin 1979). This definition indicates that intrinsic (non financial reward) is a reward that out from the job itself not from other party. According to Badrinarayan and Tilekar, (2011), extrinsic reward (financial reward) comes from external and it is tangible in order to appreciate the task performed by employee. On the other word extrinsic rewards are external to the task of the job and it including pay, work condition, fringe benefits,

security, and promotion, contract of service, salary, incentives, bonuses, payments and job security the work environment and conditions of work.

Similarly as cited by Madhuri Kshirsagar(2014), there are two major categories of rewards. Which are intrinsic rewards and extrinsic rewards? Intrinsic rewards are rewards that are internal to workers and which they give themselves. Intrinsic rewards include self-esteem, a sense of accomplishment, and a feeling of growth or development of special skills and talents. Many of these rewards are desired from the work itself. Intrinsic rewards are related to the worker's perception of the job and, hence, are affected by job design; intrinsic rewards also can be called as non-financial/non-monetary rewards. On the other hand extrinsic rewards are rewards, which are external to workers and are given by the organization or someone else. It includes direct and indirect compensation. Direct incentives are those rewards which are directly involved with the money as wages and salaries, bonus, commission, individual and group incentives, profit sharing and stock options. Indirect incentives are those rewards which are related to employees' benefits or perquisites. It consists of protection programs, paid time off, health insurance plans, child care benefits and employee discounts (Henderson, 1994). Extrinsic rewards also called as monetary or financial rewards. Being an extrinsic reward, compensation is more easily controlled by managers than are intrinsic rewards. Intrinsic rewards satisfy hierarchical needs of higher level such as social, esteem and self actualization needs, and are real motivators or satisfiers where as extrinsic rewards satisfy lower level needs (Maslow1951).

Michael Armstrong (2009) further maintains that, there are two categories of reward, extrinsic reward (financial rewards) and intrinsic rewards (non financial reward). Extrinsic reward (financial rewards) refers to payments which are made directly in cash to employees such as salary, wage, bonus, and other direct payments and any indirect payment, to employee benefits such as pensions/provident fund scheme, various types of leaves, insurance cover, medical cover, opportunity for growth and promotion, etc. The second category i.e. intrinsic rewards (non financial reward) refer rewards that do not involve any direct payments. They may arise from the work itself, for instance, work autonomy, recognition, achievement, Sense of work meaningfulness, sense of choice, sense of competence, sense of progress & others.

2.7.1 Financial Reward

As indicated by the above authors financial reward comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits. Some of financial rewards are pay bonuses, fringe benefits, transportation facility, medical facility, health and life insurance and benefits like vacation with pay meal facilities (Saira Yousaf et.al.2014). Mahaney & Lederer, (2006), indicates that unlike intrinsic reward extrinsic rewards are external to the job and include elements like fringe benefits, pay, promotions, private office space, the social climate, job security, competitive salaries, merit bonuses, pay raises and indirect payment forms as compensatory time off. Appelbaum Hare, (1961.) maintains that, extrinsic rewards drive workers' morale and the distribution of these rewards always has loomed large in companies, especially in accordance with performance evaluations in present globalization eras.

2.7.1.1 Cash Bonus

As cited by Noraani Mustapha (2013), Cash bonus is another form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible (Finkle, 2011). The author indicate that cash bones is one way of financial reward and it used for rewarding accomplishment above set goal and target. Moreover the amount of cash is determined by how high the employee has over exceeded the set targets or they can also be based on ranks or job groups. Nowadays, companies are rewarding performance bonuses to junior employees to increase output, unlike the past where they used to be a privilege of top executives. Performance bonuses are now on the rise in many organizations because managers want to link performance to reward (Block & Lagasse, 1997).

Finkle (2011) further maintains that, when employees reach certain standards and quotas to complete a certain project they are given bonuses. Companies use cash bonuses to reward their employees' performance during the year under appraisal. But there is also the unspoken expectation that these bonuses will be a factor in motivating employees' performance next year as well. Employees who receive a large bonus will likely want to get it next year too. On the other hand, employees who receive a miserly bonus and it reflects how the company assessed their performance, might consider improving next year. However Pouliakas (2010) found that there is a significant negative relationship between small bonus payments and the satisfaction of

workers with the actual job itself. This implies that the amount of bonus payment has both positive and negative effect to employees' performance.

2.7.1.2 Salary (Pay)

According to Heathfield, S.M. (2012), salary is a fixed amount of money or compensation paid to an employee by an employer in exchange for a productive work performed. Furthermore, remuneration system plays an important role in determining an employee's level of job satisfaction. The core reason behind this is the growing needs of families with higher living costs. Such things force workers seeking higher income that can guarantee their future and life satisfaction. Because of this, if individuals believe they are not compensated well, a state of emotional dissatisfaction will develop. This emotional discrepancy will grow and accumulate over times thus make employees unhappy and unsatisfied working for the organization. Monetary incentives have a positive effect on workers utility and performance as long as they are large enough. As Millán, J. M. et al. (2011) reported that for both employees and the self-employed, having higher work incomes increase the likelihood of being satisfied with the type of work. The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.

To determine the pay or salary structure the rate for the job which is base rate is required. Base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required (Armstrong, 2006). According to the author, base pay influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. However external relativities are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

The author further indicates that, employees are offered a financial reward for their services in the form of pay which is a foremost stipulation in human resource management. However, pay must be closely linked to the performance according to high achievers because 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. Organization uses money as a tool of payment for compensates employees. Because money is ranked at the top for creating motivation since people

require money to fulfill the basic necessities of life so it motivates the employees more than any other incentive.

2.7.1.3 Contingent Pay

According to Armstrong, (2006), contingent pay is a financial reward which refers to any additional financial rewards which provided related to performance, competence, contribution, skill or experience. Contingent payments may be added to base pay, i.e. 'consolidated'. If such payments are not consolidated (i.e. paid as cash bonuses) they are described as 'variable pay'.

2.7.1.4 Fringe Benefits:

A benefit that workforce is given with their job in addition to pay are called fringe benefits. The employee motivation is influenced by the availability of fringe benefits. The provision of fringe benefits will create an optimistic, motivating work environment and increases output and sales. The motivated workforce will lead to organizational excellence, prosperity, excellent quality and cost control. In fact fringe benefits play a significant role to motivate employees because they compel the workforce to put extra efforts as much as the incentive of money does. No doubt money is a big factor to motivate the employee, but the fringe benefits have their own importance. It is important for managers to realize that the employees must be given the better working conditions along with the fringe benefits so that they give their best. The management should focus on creating an effective benefits program for the employees where they are given an opportunity to improve their benefits by sharing their ideas with each other and doing surveys. Management should take initiative by accepting their ideas to improve benefits. There should be frequent reviews to ensure that the benefit program meets their needs or not.

2.7.1.5 Employee Benefits

Employee benefit is a benefit which employees get from the organization in the form of indirect cash payment. According to Armstrong (2006), employee benefits include pensions, sick pay, insurance cover, company cars and a number of other perks. They comprise elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration, such as annual holidays

2.7.1.6 Transportation

Transportation is a mode in which things, people and other used to move from one place to other. Employees need transportation to come at work at appropriate time. In most organization the problems of the working force and their mental stress is increasing due to the inefficient transport system. Public transport is costly, scarcely available and unpleasant. Government is still unable to provide adequate transport facilities to the commuters, even in the major cities of the country. Hostile environment and lack of infrastructure provision decreases labor force participation. So, there is a greater need to provide employees with more suitable transportation options. The availability of official transport facility for employees who were living far from their workplace and were making their own transport arrangements would reduce their financial burden and mental stress. Organizations should provide convenience to their staff because it will be very helpful in motivating the employees.

2.7.1.7 Life Insurance

It is insurance on the life of the insured for a fixed amount at a definite premium that is paid each year in the same amount during the entire lifetime of the insured. Most organization has its own policy to provide life insurance coverage to their employees. Some of the organizations insured their employees twenty four hours other insured working hours and hours and places related to work.

2.7.1.8 Health Insurance

When medical and surgical expenses of the employee are paid by the insurer, it is said to be health insurance. It is a source of motivation and attracting the competent employees because health cost has increased over the time and health insurance increases its motivation and commitment. The insured is either remunerated for the expenses of the illness or injury or the health care provider is given the money by the health insurance. It provides coverage for the stays in hospitals, visits and medical expense.

Most organization has its own policy to provide health insurance coverage to their employees. Some of the organizations pay for the medical expense of the sickness or injury in case of the employee hospital stays, others provide coverage for all of the expenses like medicine expense, hospital stay.

2.7.1.9 Vacations with Pay

Organizations ensure the wellbeing of an employee by offering them vacations with pay. These vacations can be advantageous for the employees who need extra time to care for aging parents or fulfill other assignments more over it help the organization to get quality output form refreshed employees .

2.7.1.10 Pension

A deferred income that workers gather during their working lives and that belongs to them after specific time duration is considered as pension. In most organization an employee entitled to company pension plan at the time of completion of the Probation Period. The objective behind pension plan is to motivate and retain the employees. It is offered for rewarding employees for staying with the organization until retirement. However it doesn't mean employees will be disqualified for the pension award if they leave or are fired before retirement.

2.7.1.11 Meals

Some companies offered employees free meal daily and an unlimited amount of coffee and soft drinks. Most of the companies allow employees to have free meals at the companies' cafeteria.

2.7.2 Non-Financial Rewards

According to Michael Armstrong, (2006), non-financial rewards are those rewards that do not involve any direct payments and often arise from the work itself. The author indicates that non financial rewards are intrinsic in their nature. It means they arise from the nature of the job itself and it is not related to any direct or indirect payment. Some types of non financial rewards listed by the authors are achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high quality leadership. More over non-financial rewards refer to the intangible or intrinsic rewards such as work autonomy, recognition, challenging assignments, conducive work environments and so on.

2.8 Empirical Review

Many authors did research on the effects of reward system on employees' performance. They used to study the effect of financial and non financial rewards on employees' performance. In this subsection the researcher presented the most recent findings from different sources.

Jescan N. Kikoito (2014) conducted a study on the impact of reward system on the organization's performance in Tanzanian banking industry. From the analysis, the researcher was found that, bank workers reward system matters a lot and should be a concern of the bank and employees. The results of this study indicated that workers place a great value on different rewards given to them by their employees (commercial banks). The current system at the commercial banks is not sufficient enough to consistently motivate workers.

The study also found that financial and non financial rewards have effect on employees' motivation and performance. Thus improvement on employees' motivation and performance has impact on the overall organizational performance. However in absence of adequate reward, workers would tend to express their displeasure through poor performance and non-committed to their jobs. At last the researcher concluded that organization should develop appropriate incentive plan of a mix of extrinsic and intrinsic rewards that will encourage workers to be purposeful and improve their performance.

Further, an assessment of reward system in relation to Organization performance on Ethiopian Electric Power is a study conducted by Nemomsa Oljira (2014). The researcher found that the use of financial and objective measures are the main concern in designing the reward systems of the organization, companies are gradually incorporated non-financial measures in their reward systems. Other remarkable findings include identical rewards are not tied to different working nature performance which is found to deviate from the normal norms. Furthermore the paper shows that rewards lead to increase in both financial and non-financial performance which will also enhance companies' reputation, as well as increase the recruitment possibility where more manpower will make a stronger team. The researcher further indicates that effective rewards mechanism will shift from fulfilling employees' basic requirement to self-actualization as they are growing with the business.

On the other hand Nnaji-Ihedimah, Nnadozie Chijioke and Egbunike, Francis Chinedu conducted a study on the Effect of Rewards on Employee Performance in Organizations on

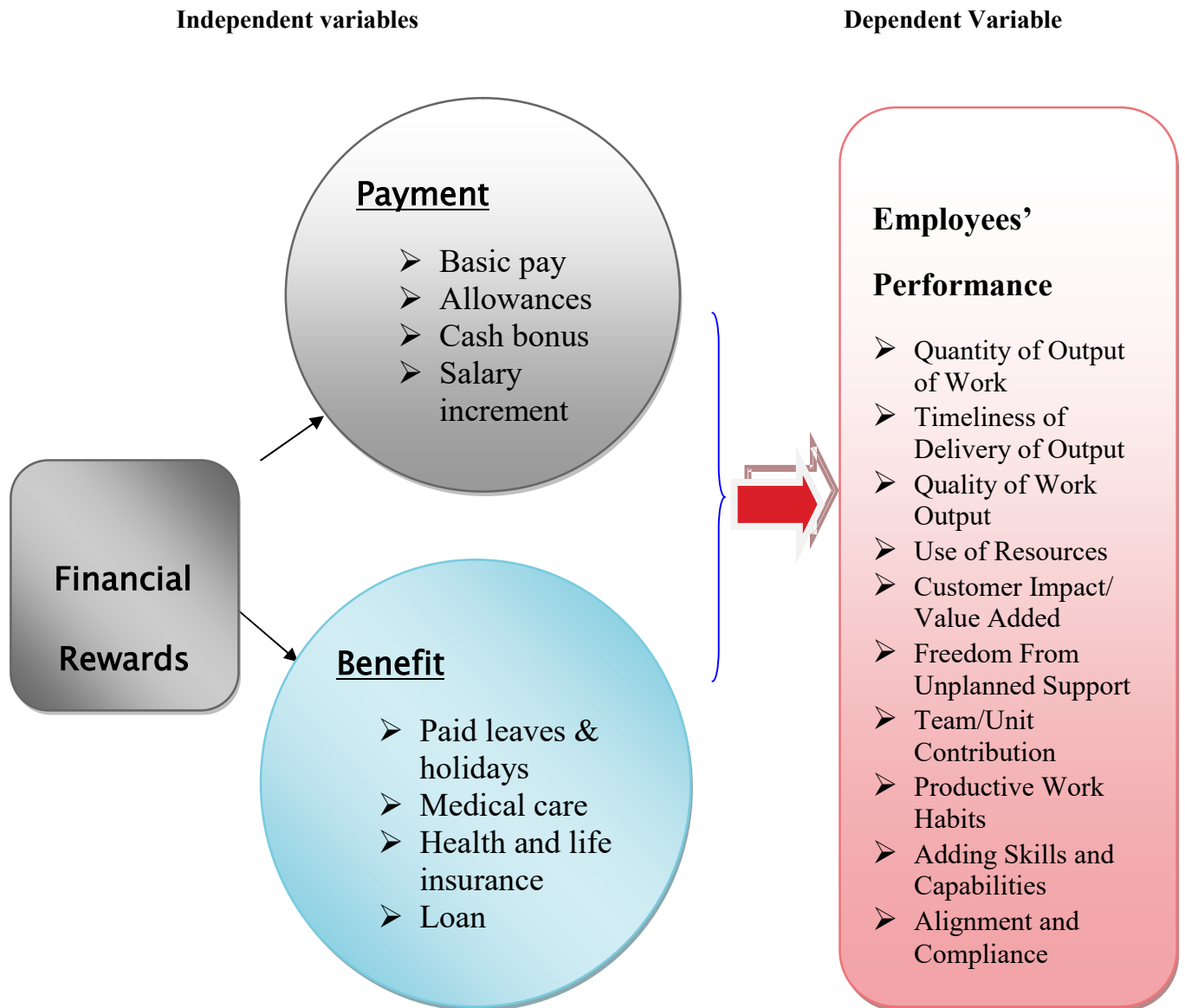
Selected Commercial Banks in Awka Metropolis. According to them, there is a relationship between rewards and employee performance and that there is a significant difference on the effects of intrinsic and extrinsic rewards on employee performance. Furthermore the researcher revealed that intrinsic rewards have a significant effect on employee performance. The analysis of the responses of participants shows that employees respond positively when intrinsic rewards are present in the work environment. In addition to this, extrinsic rewards exert significant effect on employee performance. Finally the authors concluded that the success of most service organizations depends on the performance and output of the human elements of the system. The researcher further indicate that, employees constitute the most critical input in service industries, and as such their satisfaction and motivation is at the forefront of managerial task. Managers are therefore faced with the challenge of choosing which measure to adopt or whether to rely on intrinsic or extrinsic rewards system in order to gauge employee performance.

Like others Abel G/Tsadik G/Yohannies (2012), also did a research on the effect of reward system on job satisfaction in Commercial Bank of Ethiopia. The study evaluates the level of difference in job satisfaction among male and female employees. The result of the study indicates that reward system has positive and strong effect on job satisfaction. In addition to this, extrinsic reward comparatively has strong effect on job satisfaction than intrinsic reward. There is also statistically significant impact of age and gender on reward system and job satisfaction. More over the study found that males experience higher job satisfaction than females.

2.9 Conceptual Framework of the Study

The conceptual framework explains the key concepts used in the study and how they are linked to one another to produce the final outcome. The model formulated to illustrate association of employee performance and financial reward program. The model shows financial reward as independent variables and performance as dependent variables. In this study the independent variable financial reward encompasses two dimensions, which are payment and benefit. The dependent variable employees' performance encompasses one dimension which is task Performance. The following conceptual frame work has been adopted with some adjustment referring Michael Armstrong's (2009) components of total reward and after reviewing different literatures.

Fig. 2.1 Conceptual frame work of the research



Source: developed by the researcher by adopted Michael Armstrong's (2009) financial reward frame work and Lominger's ten Performance Dimensions

Chapter Three

Research Methodology

3.1 Research Approach

The study followed a case approach; the researcher was collect information needed in order to see if the reality is in accordance with the theories. In order to answer the research question the researcher was considered both quantitative as well as qualitative approach to be the most useful in gathering information. For analyzing data gathered from questionnaire the researcher used quantitative approach. However for data gathered from, interview, document analysis and open ended questionnaire, the researcher used qualitative approach.

3.2 Research Design

The intention of the research is to describe the existing situations related to the effect of financial rewards on employees' performance. In order to achieve this objective the researcher used a descriptive type of research using case studies. The reason for selected descriptive type is that the researcher has no control the variables rather he only report what is happened in the area where the research is conducted.

As defined by Yin (2003), cited in Silvia C. Peters & Elham Mazdarani, (2008), a case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context especially when the boundaries between phenomenon and concept are not clearly evident the researcher then chosen to make a single- case study on a particular phenomenon in one organization.

Accordingly, this study is concerned to describe the general CBE's financial reward management practices and its effect on employees' performance. Under the study, the current features of financial reward practices of the organization; the extent in which financial reward variables effect on employees; performance.

3.3 Population and Sample:

Under this research the population of the study is employees of Commercial Bank of Ethiopia employees residing in North Addis Ababa district.

3.3.1 Sample

Sampling Units: All branches of the bank under North Addis Ababa district are the sampling units in which the sample will be selected. Sample for the study was taken from only North Addis Ababa district. This is because, for the homogeneity and similarity of the bank's structure and for the convenience of the area to collect the questionnaire, Since the bank implement similar financial reward schema for all employees work in all over the districts; the researcher choose to work only on one district. Even if the branches of the company categorized in to districts, city branches and outline branches there is no quite differences on the type of reward they rewarded one compared to other category.

3.3.2 Sampling Techniques

To select the required sample size; the researcher used multi-stage sampling. The first stage was to select large primary sampling unit (which is sample branches under North Addis Ababa district.) using simple random sampling technique. Then we distributed the questionnaire to employees who has more than one year of service in selected branches by using simple random sampling until it reaches the required sample size. According to C.R Kothari (2004), there are two advantages of multi-stage sampling design,

- a) It is easier to administer than most single stage designs mainly because of the fact that sampling frame under multi-stage sampling is developed in partial units.
- b) A large number of units can be sampled for a given cost under multistage sampling because of sequential clustering, whereas this is not possible in most of the simple designs.

In order to selecting the appropriate sample size, the researcher uses the formula of Laurentina P. sample size determination as presented below. The researcher selects this sample size determination method because; according to Workineh Bayssa and Dr.Shimles Zewdie, it is one of the best methods in determining the sample size in probability sampling method.

As of December 31, 2016 Commercial Bank of Ethiopia North Addis Ababa district has 2,516 permanent employees working in ninety one city and outline branches. From this number of employees 324 employees has less than one year working experience at CBE and 2,192 employees has more than one year experience. To get adequate information on the topic of the research, the researcher excluded the employees who has less than one year experience. Thus those employees who have more than one years working experience at CBE is the population of the study. According to the following sample size determination the sample size took from total population of 2,192 is 240 employees that took from randomly selected branches.

$$S_s = \frac{NZ + [S_e^2(1 - P)]}{NS_e + [z^2P(1 - P)]}$$

Where S_s = Sample size

N = Total population $N = 2192$

Z = Confidence level $Z = 99\% = 2.58$ from Z table

S_e = Sampling error $S_e = 1\% = 0.01$

P = Largest possible proportion $P = 0.5$

(Laurentina & Melchor, 2006).

$$S_s = \frac{2192 \cdot 2.58 + [0.01^2(1 - 0.5)]}{2192 \cdot 0.01 + [2.58^2 \cdot 0.5(1 - 0.5)]}$$

Where $S_s = 239.79$ approximately 240

$N = 2192$

$Z = 99\% = 2.58$ from Z table

$S_e = 1\% = 0.01$

$P = 0.5$

3.3.3 Data Collection Tools

The data collection instrument that used in this study is structured interview, closed ended questionnaire and a few more open ended questionnaire in order to get detail explanation about financial reward implementation problem and their possible solution to improve employees' performance. The questions that used to measure the employees performance variables were adopted from previous research works Yohannis Siyoum (2016) and the financial reward part was developed from different previous research and more over by considering different literatures prepared in the area. To insure the validity of the structured interview and questionnaire the researcher did a pilot test and feedback was gathered from the advisor and experts. The data that was collected through questionnaire are measured using 5-point likert scale ranging from 1=strongly disagree to 5=strongly agree with the sets of statements. There are also demographic questions to test relationship between variable. In addition to this the researcher used document analysis to gather data from the case study company (CBE) official website, annual reports, HR policy and procedure and the like.

3.3.4 Source of Data

Primary and secondary sources will be used to collect data throughout the research. Thus in this study primary data was collected through self-administer closed ended questionnaire with a few more open ended questions and structured interview.

According to Ghauri (1995), major advantage of collecting secondary data is that they give general idea on how to conduct the research and the best method to be used. However, there are shortcomings to it regarding the reliability, accuracy, and integrity. The certainty of the facts contained: the age of the data and the issue of bias from the author and place where it was written. Though, having the fact of the shortcomings, this research project was employed the secondary data from the case study company (CBE) official website, reviewing annual reports, HR policy and procedure and otherw different websites which relate with our study.

3.4 Data Collection Procedure

The researcher was adopted three steps in collecting the data for the study. First, relevant literature was reviewed to get adequate information on the topic. Second, objectives and research questions were formulated to show the direction of the study. Third, data gathering tools was developed and pilot test was implemented.

Furthermore, the structured interview and questionnaire was conducted by the researcher himself and by a few co-workers so as to lead us to desired point of information and save time and in view of the type of research design.

The questionnaire designed to gather quantitative and qualitative data. After data was collected using interview; it was checked for its consistency and completeness before analysis made.

3.5 Reliability and Validity

3.5.1 Reliability Test

Reliability is an attribute in which Data collection procedures can be repeated with the same results. According to C.R. Kothari (2004), measuring instrument is reliable if it provides consistent results.

In this study, ensuring validity of the data collection instrument involved going through the questionnaire in relation to the set objectives and making sure that it contains all the information that can enable answer these objectives. Reliability measures the degree to which a research instrument yields consistent results or data after repeated trials. To ensure reliability, the questionnaire was pre-tested on 20 respondents of CBE Arat kilo branch's employees. In addition to this in this study a reliability co-efficient (Alpha value) of more than 0.7 was assumed to reflect the acceptable reliability

Moreover, to increase the reliability of measurements, the researcher was distributed questionnaires through the researcher himself and other bank's staff to avoid variations from employee to employee since they have the best stand point of sight at different location and position in addition to this, as much as it required, the researcher was provided explanations concerning on the questions to the respondents before they had given answer for it. Thus it conform the reliability of the available data.

3.5.2 Validity Test

Validity refers to the extent to which the instrument measures what the researcher(s) actually wish to measure C.R. Kothari (2004). Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure.

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

3.6 Ethical Consideration

In research paper, the researcher was informed the participants of the study on the selected bank about the objectives of the study before the research was conducted, and the researcher was also consciously considered ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.

3.7 Methods of Data Analysis

Statistical Package for Social Sciences (SPSS) ver. 20 software was used to analyze the data. After collecting the data, it was entered in this software and the output was analyzed based on descriptive statistics.

Demographic characteristics are summarized using frequencies and percentages for all variables including: age, sex, work experience, years on the current job/position and educational level. Moreover, since the likert scale data is an ordinal data mean for central tendency and standard deviations for variability was analyzed. In addition some data analysis procedures appropriate for interval scale items like Pearson's r, ANOVA, and regression procedures were used to analysis the effect of each financial reward variables on employees' performance and test the hypothesis.

Further the data gathered through questionnaires and documents analysis was analyzed and presented in the form of charts, diagrams and tables. For analyzing of qualitative data gathered from structured interview, questionnaire and secondary source; the researcher was used content analysis method. The results of the open ended questionnaire and structured interview were integrated to the responses of employees through closed ended questionnaires and it was analyzed accordingly.

Regression analysis is used to test hypotheses about the relationship between a dependent variable that is employees' performance and an independent or explanatory variable of the study (payments and benefits). Hence, the study will employ regression analysis to predict the relationship between the variables in the study. The multiple regression models of this study will have two independent variables and the model explained as follows:

Dependent Variable: Employees' Performance (Y)

Independent Variables: Payment (x1) and Benefits (x2).

$$Y = a + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_n x_n + u$$

Where

Y= Dependent variable (Employees' performance)

a= constant

β = Regression Coefficient

X= independents (payment and benefit)

U= Residual factor

Chapter Four

Data Presentation, Analysis and Interpretation

4.1 Introduction

This Chapter presents the demographic characteristics of the respondents and the research findings from the study. It analyses the data systematically focusing on the study objective: the effect of financial rewards on employee performance. More over in this chapter, the collected data were described and analyzed using statistical tools: Descriptive and inferential statistics including linear regressions with the help of SPSS. The chapter also presenting the demographic profile of respondents and the relationship between the independent and the dependent variables and the level of significance of their correlation.

4.2 Descriptive Statistics

4.2.1 Response Rate

Data was collected by the use of structured closed questionnaires with some open ended questionnaire, and analysis done using SPSS version 20. Questionnaires were sent to all 240 staff members from 10 branches of North Addis Ababa district and only 233 employees were responded. This translated to 97 % response rate which is satisfactory.

Table 4.1 Rate of Respondent

No	Branch Name	No. of questionnaire distributed	No. of questionnaire responded	% of questionnaire responded
1	Arat Kilo Br.	50	50	100%
2	Kidist Mariam Br.	15	14	93.3%
3	Kidisit Silase Br.	30	29	96.7%
4	Shiro Meda Br.	15	15	100%
5	Addis Ababa Br.	55	51	92.73%
6	Finfine Br.	45	44	97.8%
7	Leku Keta Br.	10	10	100%
8	Sululta Br.	10	10	100%
9	Legedima Br	5	5	100%
10	Burayu Br.	5	5	100%
	Total	240	233	97%

Source: survey data: April 2017

4.2.2 Demographic Data

The demographic information of respondent gathered for this study were gender, age, marital status, education qualification, years of service, job position, and monthly income

Table 4.2 Demographic data of the Respondents

N O	Demography	Description	Frequency	Percent	Valid Percent	Cumulative Percent
1	Age	Below 30	189	81.1	81.1	81.1
		31-40	41	17.6	17.6	98.7
		41-50	3	1.3	1.3	100.0
		Total	233	100.0	100.0	
2	Gender	Male	153	65.7	65.7	65.7
		Female	80	34.3	34.3	100.0
		Total	233	100.0	100.0	
3	Marital States	Married	53	22.7	22.7	22.7
		Single	177	76.0	76.0	98.7
		Divorced	3	1.3	1.3	100.0
		Total	233	100.0	100.0	
4	Educational Qualification	Diploma	1	.4	.4	.4
		Advance diploma	1	.4	.4	.9
		1st degree	190	81.5	81.5	82.4
		2nd degree	41	17.6	17.6	100.0
		Total	233	100.0	100.0	
5	Service year	Less than 5 years	180	77.3	77.3	77.3
		5 to10 years	35	15.0	15.0	92.3
		11 to 15 years	12	5.2	5.2	97.4
		More than 15 years	6	2.6	2.6	100.0
6	Monthly Salary	4001-6000	155	66.5	66.5	66.5
		6001-8000	52	22.3	22.3	88.8
		above 10000	26	11.2	11.2	100.0
		Total	233	100.0	100.0	
7	Job position	CSO	187	80.3	80.3	80.3
		CRO	6	2.6	2.6	82.8
		KYC	6	2.6	2.6	85.4
		SCSO, ACCOUNTS	14	6.0	6.0	91.4
		SCSO, CASH	9	3.9	3.9	95.3
		SCSO, BRANCH CONTROLLER	11	4.7	4.7	100.0
		Total	233	100.0	100.0	

Source: survey data: April 2017

The above output shows that the age of 189 respondents (81.1%) were below 30, 41 respondents (17.6%) were between 31 and 40, and 3 respondents (1.3%) were 41 to 50. In this regard, most of CBE staffs' age falls below 30. This implies that CBE full of young and energetic manpower who can perform with full capacity if it motivated by adequate level of financial rewards.

From 233 respondents, 153(65.7%) of the respondents were male and the remaining 80 (34.3%) respondents were female. This shows that the number of male respondent is by far greater than the number of female respondents.

The marital status of the respondents' shows that 53(22.7%) of employees were married, 177(76%) of employees were single and 3(1.3%) of employees were divorced in the sample, giving a total of 233 respondents. The output indicates that there is large number of single respondents. This implies that if CBE provide adequate level of financial reward the probability of decreasing performance may enhance because the researcher believe that single employees have less social responsibility than married employees.

Regarding to educational qualification 41(17.6%) of employees have holding master degree, 190 (81.5%) of them are bachelor degree holders, 1(0.04%) employee has advance diploma and 1(0.04%) employee has diploma. According to the data, most of bank employees are first degree holders; it is because Bachelor degree is now considered minimum qualification requirement for jobs in CBE. This implies that if CBE kept motivated its employees with various types of financial rewards; they may have good career progression in the future. Thus it may enhance employees' performance.

From the total respondents of 233 employees, 180 (77.3%) employees had worked for a period of less than five years, 35(15%) of employees had worked for a period of between 5 to 10 years, 12(5.2%) of employees had been employed for 11 to 15 years while the rest 6(2.6%) had been working for more than 15 years. Thus, majority of the employees had been with the CBE for less than 5 years this indicates that majority of the employees of CBE have less level of banking experience.

Conserving with job position of the respondents; 187(80.3%) of the participants, were drawn from the customer service officer (CSO) position. The other categories were 6(2.6%) from CRO, 6(2.6%) from

know your customer (KYC), 14(6%) from (SCSO accounts), 9(3.9%) from SCSO cash and 11(4.7%) from SCSO branch controller.

Under salary classification, the respondents were classified in to three categories based on the salaries held at the time of study. The table illustrates that the majority 155(66.5%) of respondents, were categorized under birr 4,001 – 6,000. The second higher categories were from birr 6,001 – 8000, which was 52(22.3%) of the respondent. The third and the last categories were above 10,000, which constitutes 26(11.2%), of the respondent. This implies that CBE provide uncompetitive financial reward (payment) to its employees. Thus it may have effect on employees' performance.

4.2.3 Data Analysis

The data collected from employees of Commercial Bank of Ethiopia through questionnaire was analyzed and presented in the below sections with the help of tables. The descriptive statistics on the data analysis and procedures are presented on the basis of questions included in the employees' performance among factors of the independent variables i.e. financial rewards and dependent variable i.e. employees' performance.

In the questionnaire, research related questions on financial rewards and employees' performance were included. In order to assess the effect of financial reward on employee's performance, two variables were selected as financial reward and one dimension also selected to measure the level of employees' performance. The questionnaire incorporates 50 questions in six sub sections. 35 questions incorporated to assess CBE's financial reward scheme and 15 questions used to assess employees' performance. In the following pages, the analysis of each financial reward variables and employees performance is presented:

Survey scale: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

5=Very low effect, 4=low effect, 3=average effect, 2=high effect and 1=very high effect was also incorporated in the questionnaire as a scale.

4.2.4 The Current Features of Financial Reward Practices of the Organization

Table 4.3 Frequency Table of the Current Features of Financial Reward Practices of the Organization.

Statement	Level of Perception				
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
CBE's financial reward scheme is merit based.	8(3.4%)	30(12.9%)	32(13.7%)	87(37.3%)	75(32.2%)
The financial reward system at CBE focuses on the real needs of employees.	2(0.09%)	14(6%)	22(9.4%)	124(53.2%)	70(30%)
At CBE, financial rewards pursue immediately when employees perform best as a team and/or individually.	5(2.1%)	22(9.4%)	20(8.6%)	74(31.8%)	110(47.2%)
CBE's financial reward Management system is easily understood by everyone in the organization.	5(2.1%)	29(12.4%)	30(12.9%)	75(32.2%)	92(39.5%)
Financial rewards at CBE are applied in justifiable and inclusive manner.	6(2.6%)	28(12%)	36(15.5%)	111(47.6%)	49(21%)
CBE's financial reward system is always open for negotiation and creates agreement between management and employees. (Participatory)	7(3%)	9(3.9%)	28(12%)	108(46.4%)	79(33.9%)

Source: survey data: April 2017

As can be seen in the table 4.2, 162(69.52%) of the respondents disagree, about survey statement of "CBE's financial reward scheme is merit based." In other word, more of the respondents feel that CBE's financial reward scheme is not merit based. This implies that if reward is not based on employees' performance; thus employees may not motivate for better performance. Because merit program is a form of performance-related pay and is one of the most powerful tools to enhance employees' performance.

Concerning the second statement survey of "The financial reward system at CBE focuses on the real needs of employees", 194(83.26%) of the respondents disagree. From this, more than half of the respondents assured that the financial reward system at CBE is not focuses on the real needs of employees. This implies that if the financial reward provided by CBE is not based on the need of the employees; because of this employees may not motivate. In other word the financial reward may not followed by change on performance. For the survey statement of "At

CBE, financial rewards pursue immediately when employees perform best as a team and/or individually”, 184(78.96%) of the respondents disagree. Hence, almost all of the respondents assured that At CBE, when employees perform best as a team and/or individually it is not followed by immediate financial rewards. This implies that CBE’s financial rewards are less likely motivating its employees. This is because financial rewards have more effect if it is provided after the required performance level. This also supported by Thomson & Rampton (2003). According to the author; organizations that reward employees more often improves employees’ performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance.

The response which have been given to the survey statement, “Financial rewards at CBE are applied in justifiable and inclusive manner”, informs that, from the total respondents 233, 160(68.66%) of them disagree. In other word, more than half of the respondents agree that CBE applied financial rewards in unjustifiable and has a problem of equity. This implies that CBE’s financial rewards program are not motivating employees in the required level for better performance. This is because according to Adams (1965), employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others.

The response on the survey statement “Employees have adequate knowledge about financial rewards provided by CBE.” from the total number of respondents, 142(60.94%) of the respondents disagree. The significant level of the respondents confirmed that, they do not have adequate knowledge about financial rewards provided by CBE. This implies employees do not relating their performance with the financial reward program of the organization. Because of they do not have adequate knowledge about CBE’s reward system they may not motivated for better performance.

The response on the survey statement of “CBE’s financial reward system is always open for negotiation and creates agreement between management and employees”, 187(80.25%) of the respondent disagree. In other word, CBE’s financial reward system is not participatory and it is not always open for negotiation and creates argument between management and employees. This implies that, at CBE there is no transparence concerning financial reward scheme. If there is

transparence employees may not motivated for better performance. This also supported by Michael Armstrong's, (2009) principles of reward management. According to the author Transparency, as used in science, engineering, business, the humanities and in a social context more generally, implies openness, communication, and accountability.

4.2.5 Payment (Basic Pay, Salary Increment, Allowances Bonus)

Table 4.4 Descriptive Statistics Result of Payment. (basic pay, salary increment, allowances bonus)

	N		Mean	Std. Deviation
	Valid	Missing		
Basic pay	233	0	1.7146	.70105
Salary Increment	233	0	1.6652	.74680
Allowances	233	0	2.2904	.58564
Bonus	233	0	3.1631	.81156

Source: survey data: April 2017

The means and standard deviations of the variables of the study are shown in Table 4.4 describe the mean or the average response of the respondents. One variable of financial reward which is payment have four dimensions; basic pay, Salary Increment, Allowances and Bonus.

Concerning to basic pay, the response on the survey statements of “My salary is satisfactory in relation to what I do”; “My salary is fair when compared with that of similar jobs in other commercial banks”; “My salary is enough to satisfy my needs and The salary scale (grade) and pay structure implemented by CBE satisfy and motivate employees for better performance”. The mean response of their degree of agreement with the basic pay was 1.71 (SD=0.70) on a 5-point scale. This shows majority of the respondents are not motivated by the basic pay/ salary of CBE. This implies that there is not distributive and procedural justice. This by itself lead employees to be de-motivated to enhance their performance. because a fair reward system is one that operates in accordance with the principles of distributive and procedural justice. It also conforms to the ‘felt-fair’ principle formulated by Eliot, J. (1998).

Relating to Salary Increment, the response on the survey statements of “Salary increment at CBE is managed fairly” and “Salary adjustment made frequently according to the current market”;

the mean response of their degree of agreement was 2.29 (SD=0 .74) at a 5-point scale. This shows all in all the respondents nearly (though not fully) disagreed about the fairness and frequent adjustment of CBE's salary increment. This implies that employees' of CBE are less motivated to salary increment followed by weak performance level. According to Michael Armstrong (2006), the aims of reward management are to motivate people and obtain their commitment and engagement. According to the author if employees are not motivated they are less likely to perform better.

Relating to Allowances, the response on the survey statements of "House allowance provide by CBE are fair and it is matches with the current market price"; "Transportation allowance is fair with the current cost of transportation service" and "Hard ship allowance is satisfactory and made adjustment according to the current market"; the mean response of their degree of agreement was 2.29 (SD=0 .58) on a 5-point scale. This shows that on average the respondents point fall nearly on disagreement about the level of allowances. This implies that different types of allowances provided by CBE are not motivating employees for better performance.

Finally relating bonus, the response on the survey statements of "The organization's bonus practices strongly consider the level of my performance" and "CBE's bonus scheme is satisfactory and attractive when compared with that of similar jobs in other commercial banks"; the mean response of their degree of agreement was 3.16 (SD=0. 81) on a 5-point scale. This shows majority of the respondents "neither agree nor disagree" about the attractiveness and fairness of CBE's bonus schema. This implies that CBE's bones scheme has neither positive nor negative effect on performance of its employees.

4.2.6 Benefit (Medical Cost Cover, Loan, Paid Leave and Holiday, Health and Life Insurance)

Table 4.5 Descriptive Statistics Result of Benefit (medical cost cover, loan, paid leave and holiday, health and life insurance)

	Statistics		Mean	Std. Deviation
	Valid	Missing		
Medical cost cover	233	0	3.1631	1.11765
Loan	233	0	1.8627	.83493
paid leave and holiday	233	0	2.7597	1.17176
Health and life insurance	233	0	3.3906	1.04934

Source: survey data: April 2017

The other variable of financial reward is benefit. This variable has four dimensions which are Medical cost cover, Loan, paid leave and holiday and Health and life insurance. Concerning to medical cost cover; the response on the survey statements of “The existing medical cost coverage is satisfactory”; the mean response of their degree of agreement was 3.16 (SD=1.11) on a 5-point scale. This shows majority of the respondents was neither agree nor disagree about the medical cost coverage provided of CBE. This implies that CBE’s medical cost cover has neither positive nor negative effect on performance of its employees.

Relating to Loan, the response on the survey statements of “CBE’s staff mortgage loan provide by CBE are fair and it is matches with the current market price”; “CBE’s revolving emergence staff loan is sufficient to satisfy my needs”; “There is a good and sufficient personal loan benefit at CBE” and “Staff automobile loan matches with the need of the employees”; the mean response of their degree of agreement was 1.86 (SD=0.83) on a 5-point scale. This shows majority of the respondents disagree about the loan provided by CBE. This implies that different types of loan providing by CBE are not motivating employees for better because of there is problems of lack of fairness, equity and distributive Justice in the loan providing service of CBE

Likewise, the mean response of their degree of agreement with the paid leave and holiday at CBE was 2.75 (SD=1.17) on a 5-point scale. For the response on the survey statements of “Paid leave and holly days (annual, maternity and paternity leave, week end leave ...) provide by CBE is fair and flexible when compared with that of similar jobs in other commercial banks”. This

shows that majority of the respondents neither agrees nor disagrees. This implies that CBE's paid leave and holiday has neither positive nor negative effect on performance of its employees.

Finally, the mean response of their degree of agreement with the health and life insurance was 3.39 (SD=1.04) on a 5-point scale for the response on the survey statements of "There is a good and attractive health and life insurance coverage". This shows all in all the respondents nearly agree about attractiveness of CBE employees' health and life insurance coverage. This implies that CBE's health and life insurance coverage are attracting employees and enhance them for better performance. Different author support this findings as such financial reward is a source of motivation and attracting the competent employees because health cost has increased over the time and health insurance increases its motivation and commitment.

4.2.7 The extent of financial reward variables contribution on employees' perceived performance

To answer the research question "to what extent do financial reward variables contribute to employees' performance" were answered with the following analysis. According to Harry N. B. Jr. and Deborah A.B. (2012), the descriptive statistics recommended for ordinal measurement scale items include a mode or median for central tendency and frequencies for variability. Furthermore, additional analysis procedures appropriate for ordinal scale items include the chi-square measure of association, Kendall Tau B, and Kendall Tau C.

The questionnaire item listed the following ordinal measurement scale items for measuring employees' perception on the dimensions financial rewards. Which includes; 5=*Very low*

Effect, 4= low effect, 3= Average effect, 2= high effect and 1= Very high effect.

Table 4.6 Mean Table for Dimensions of Financial Reward variables.

	Statistics		Mean	Std. Deviation
	Valid	Missing		
Pay\salary	233	0	2.00	1.209
Cash bonuses	233	0	1.99	1.244
Paid Holidays and leave	233	0	3.53	1.214
Health care	233	0	1.93	1.074
Health and life insurance	233	0	2.03	1.114
Pensions	233	0	3.21	1.340
House allowance	233	0	2.47	1.313
Transportation allowance	233	0	2.29	.952
Hard ship allowance	233	0	2.30	.944
Staff mortgage loan	233	0	1.97	1.210
Revolving emergence staff loan	233	0	2.25	1.074
Staff automobile loan	233	0	2.06	1.239
Personal loan (consumer loan)	233	0	2.32	1.018
Salary increment.	233	0	1.99	1.458

Source: survey data: April 2017

According to the data from the table 4.6, majority of the respondents replied that they are very highly motivated to pay/salary, cash bonus, health care, health and life insurance, staff mortgage loan, staff automobile loan and salary increment and highly motivated to house allowance, transportation allowance, revolving emergence staff loan and personal loan (consumer loan). However they are less motivated to paid holidays and leave and Pensions. This implies that if CBE improve those financial reward dimensions which have more effect on employees' performance, the organization may accomplish its goal and target by enhancing employees as well as organizational performance. This also support by Appelbaum Hare, (1961). The author maintains that, extrinsic rewards drive workers' morale and the distribution of these rewards always has loomed large in companies, especially in accordance with performance evaluations in present globalization eras.

4.3 Inferential Statistics

4.3.1 Reliability Analysis

The reliability of scale shows how free the data is from random error. Therefore, it is always advisable to select that scale that is reliable. One of the most commonly used scales of reliability is internal consistency. Internal consistency refers to “the degree to which the items that make up the scales are all measuring the same underlying attributes (i.e. the extent to which the items “hang together””) (Pallant, 2005). There are number of ways in which internal consistency can be measured, the most commonly used statistics is Cronbach’s coefficient alpha. Cronbach’s alpha is a test reliability technique that requires only a single test administration to provide a unique estimate of the reliability for a given test (Joseph A. g. and Rosemary R. G. 2003). According to the author, cronbach’s alpha is the average value of the reliability coefficients one would obtain for all possible combinations of items when split into two half-tests.

Cronbach’s alphas were calculated to examine the reliability of each variable of the study. The two variables in the study were financial reward (35 items), and employees’ performance (15 items).

According to Joseph A. g. and Rosemary R. G. (2003), cronbach’s alpha reliability coefficient normally ranges between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach’s alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale.

More over George and Mallery (2003) provide rules of thumb. According to their rules; reliability coefficients should be at least ‘.70’ and the higher the better. Furthermore, as suggested by the author, if scale item were to exhibit an item to total correlation of $< .5$ – unacceptable or less the item should not be included in further analysis. Reliability coefficient for items in each variable (Cronbach’s alpha) is greater than .7 which showed higher reliability of the items used in measurement of the variables. Accordingly Cronbach’s alpha for financial rewards which are payment is found to be 0.803 and benefit is found to be 0.710 and for employees’ performance is 0.766 which is more than 0.7 therefore it is statistically acceptable. The Cronbach’s alpha value for all items suggested that the data collected through questionnaires is reliable and can be used for further statistical analysis.

Table 4.7 Cronbach's Alpha for Measures of the Variables

Variables	Cronbach's alpha(r)
Payment	0.803
Benefit	0.710
Employees' Performance	0.766

Source: survey data: April 2017

4.3.2 Bivariate Correlation Analysis

As it indicated in the methodology part of the paper the researcher develop and adapt the questionnaire using five point lickert scales. According to Harry N. B. Jr. and Deborah A.B. (2012), likert scale data are analyzed at the interval measurement scale. Likert scale items are created by calculating a composite score (sum or mean) from four or more type Likert-type items; therefore, the composite score for Likert scales should be analyzed at the interval measurement scale. Descriptive statistics recommended for interval scale items include the mean for central tendency and standard deviations for variability. Additional data analysis procedures appropriate for interval scale items would include the Pearson's r, t-test, ANOVA, and regression procedures.

According to Pallant (2005), correlation analysis is normally used to describe the strength and direction of the linear relationship between two variables. Correlation analysis is a useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If $r = -1$ there is perfectly negative correlation between the variables. If $r = 0$ there is no relationship between the variables and if $r = +1$ there is perfectly positive relationship between the variables. For values of r between +1 and 0 or between 0 and -1, the different scholars have proposed different interpretations with slight difference. This study is investigating a relationship between financial Rewards (benefit and payment) and employees' performance, for which Pearson's method best fit the test. According to Harry N. B. Jr. and Deborah A.B.(2012), If the variables were qualitative in nature, that is, nominal or ordinal, then it would be advisable to use a non-parametric method of determining the correlation coefficient, namely, Pearson's hence the researcher used non-parametric method is used to find relationship between dependent and independent variables. Further more for this study diction rule given by Bartz

(1999) was used to describe the strength of association among variables as mentioned in Table 4.15 below

Table 4.8 Interpretation of r Value

Value of r	Description
0.80 or higher	Very high
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or lower	Very low

Source: Bartz (1999)

4.3.2.1 Correlation between Payment and Employees' Performance

Table 4.9 Correlation between Payment and Employees' Performance

Correlations

		Employees' performance	Payment
Employees' performance	Pearson Correlation	1	.622**
	Sig. (2-tailed)		.000
	N	233	233
Payment	Pearson Correlation	.622**	1
	Sig. (2-tailed)	.000	
	N	233	233

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

Source: survey data: April 2017

The relationship between employees' performance and payment was investigating using Pearson product-moment correlation coefficient. According to the output, there is a strong, positive correlation between employees' performance and payment. ($r = .622^{**}$, $p < 0.01$). This implies that when organization make a change on payment the performance of employees also enhancing in similar directions. This also supported by Maund (2001), rewards can be used to improve performance by setting targets in relation to the work given. When the employee surpasses their

target, he or she can be given an additional amount to their salary; this will make them strive to achieve more.

4.3.2.2 Correlation between Benefit and Employees' Performance

Table 4.10 Correlation between Benefit and Employees' Performance.

Correlations

		Employees' performance	Benefit
Employees' performance	Pearson Correlation	1	.859**
	Sig. (2-tailed)		.000
	N	233	233
Benefit	Pearson Correlation	.859**	1
	Sig. (2-tailed)	.000	
	N	233	233

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

Source: survey data: April 2017

The relationship between employees' performance and benefit was also investigating using Pearson product-moment correlation coefficient. Thus, there is very strong, positive correlation between employees' performance and benefit. ($r = .859^{**}$, $p < 0.01$), which is stronger than payment. This implies that employees are more responsive for benefits than payment. Even though employees performance enhance when there is a change on both payment and benefit; when we compare the degree of response employees of CBE are more motivating for benefit related rewards.

4.3.3 Interpretation of Output from Correlation Table

There are five different aspects of the correlation table that should be consider while interpreting the results, it is explained below

4.3.3.1 Information about the Sample

The important aspect of correlation table is the N (number of cases). The final questionnaires for financial rewards (payment and benefit) and employee performance we got after performing the

required normality test for data were 233, which also shown in correlation table. There was no missing value therefore when we get confirm about our sample size then correlation analysis were performed.

4.3.3.2 Determining the Direction of the Relationship

The positive and negative sign in front of correlation coefficient (r) value shows the direction of the relationship between variables. The value of correlation coefficient (r) is positive in both cases, showing positive relationship between payment and employee performance, and benefit and employee performance.

4.3.3.3 Determining the Strength of the Relationship

As mentioned earlier the strength of relationship is shown by correlation coefficient value. As correlation coefficient (r) value for payment and employee performance is ($r=0.622^{**}$, $P<0.001$, $N=233$), therefore showing strong and positive relationship. The correlation coefficient (r) value for benefit and employee performance is ($r =0.859^{**}$, $P=<0.001$, $N= 233$) thus, showing very strong and positive relationship unlike payment.

4.3.3.4 Assessing the Significance Level

According to Pallant (2005), significance level is strongly influenced by the size of sample As the significance level for payment is less than 0.001 and sample size is also large, it confirms that there is positive and strong relationship between payment and employee' performance. And as the significance level for benefit is less than 0.001 and sample size is also large; it confirms that there is positive and very strong relationship between benefit and employees' performance.

In general, the results of correlation table show that there is strong and positive relationship between payment and employees' performance and very strong and positive relationship between benefit and employee performance.

4.3.4 Testing Hypothesis

ANOVA analysis is normally used to compare the mean scores of more than two groups or variables. It is also called analysis of variance because it compares the variance between groups (Pallant, 2005). More over the F ratio or F statistic represents the variance. If the F ratio is large and probability is less than 0.05 then it is termed statistically significant (Saunders, 2012). In

addition to this Pallant (2005) indicate that a significant F test indicates that we can reject the null hypothesis and accept alternate hypothesis, stating that the population means are equal we used ANOVA to check the acceptance or rejection of hypotheses of the study.

The first and the second hypothesis of the study are tested using ANOVA and Pearson's r values.

H1: There is significant relationship between payment and employees' performance.

Table 4.11 ANOVA table for Payment & Employees' Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	35.392	1	35.392	145.792	.000 ^b
Residual	56.077	231	.243		
Total	91.470	232			

a. Dependent Variable: Employees' performance

b. Predictors: (Constant), Payment

Source: survey data: April 2017

From the above ANOVA table it can be seen that F ratio is 145.79 and the significance level is less than 0.05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H1). The large value of F ratio and less value of significance level [F = 145.79 p<.0005.] indicates that we have to reject the null hypothesis and accept alternate hypothesis i.e. There is significant relationship between payment and employees' performance. This implies that any change (positive or negative) in payment will follow by a change on employees' performance. Thus CBE as well as other organizations should give adequate attention to the above mentioned reward dimensions.

H2: There is significant relationship between benefit and employees' performance.

Table 4.12 ANOVA table for Benefit & Employees' Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	67.416	1	67.416	647.418	.000 ^b
Residual	24.054	231	.104		
Total	91.470	232			

- a. Dependent Variable: Employees' performance
- b. Predictors: (Constant), Benefit.

Source: survey data: April 2017

From the above ANOVA table it can be seen that F ratio is 647.41 and the significance level is less than 0.05 or 5%. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H2). The large value of F ratio and less value of significance level [F = 647.41, p<.0005] indicates that we have to reject the null hypothesis and accept alternate hypothesis i.e. there is significant relationship between benefit and employees' performance. This implies that like payment benefits have also high effect on employees' performance. A change on the level or type of benefits will be followed by a change on employees' performance. For this reason CBE has also give adequate attention for the type and level of benefit it providing to get the required performance level from its employees in the return.

Concluding remarks of the test: From the ANOVA test as performed above, it is concluded that the alternate hypotheses of the study are accepted. Hence proved that, there is significant relationship between payment and employees' performance, and benefit and employees' performance.

H3: There is a significant difference on the effects of payment and benefit on employees' performance

Table 4.13 ANOVA table for Financial Reward & Employees' Performance

variables	R ²	ADJ. R ²	T	F	Sig.	Beta
payment	0.387	0.384	4.193	145.79	.000	.0622
Benefit	0.737	0.737	25.444	647.41	.000	0.857

Source: survey data: April 2017

From the above table 4.13 it can be seen that F ratio for payment is 145.79 and the significance level is less than 0.05 or 5%. The value of adj.R2 for payment is 0.384. However, F ratio for benefit is 647.41 and the significance level is less than 0.05 or 5%. The value of adj. R2 for

benefit is 0.737. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H3). The large value of F ratio and less value of significance and the value of adj. R2 difference indicate that we have to reject the null hypothesis and accept alternate hypothesis i.e. there is a significant difference between payment and benefit on employees' performance. this implies that even though both payment and benefit has significant effect on employees' performance, benefits has more effect than payment to enhance employees performance. Thus CBE should give more priority for the types of benefits it provide than payment.

4.3.5 Multiple Regression Analysis

Multiple regression analysis applied to find out whether there was statistically significant relation between the dependent variable (employees' performance) and the independent variables (payment and benefit). Multiple regression also tells that how much of the variance in the dependent variable can be explained by independent variables. It also determines the statistical significance of the results, both in terms of model and the individual independent variables (Pallant, 2005). One of the purposes of this study is to find the effect of financial rewards on employees' performance. The researcher used multiple regressions to find the impact of two independent variables (payment & benefit) on one dependent variable (Employees' performance). Multiple regressions allow using the independent variables as a predictor for dependant variable. Therefore it is appropriate for this kind of study. The regression model of the study is:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + u$$

Y= Dependent variable (Employees' performance)

a= constant

β = Regression Coefficient

X= independents (payment and benefit)

U= Residual factor

According to Saunders (2012), the strength of relationship between one dependant variable and one or more independent variables is determined by coefficient of determination r^2 (also called regression coefficient). The regression coefficient varies between -1 and +1. -1 represents complete negative relationship while +1 represents perfect relationship.

Table 4.14 Summary of Regression Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893 ^a	.798	.796	.28326

a. Predictors: (Constant), Payment, Benefit

Source: survey data: April 2017

In this case, $R = .893$, indicate that there is a strong and positive correlation between the dependent variable (employees' performance) and the set of two independent variables (payment and benefits). The R Square value represents the percentage of variance accounted for in the dependent variable (employees' performance) by the set of two independent variables (payment and performance). In other words, approximately 79.8% of the variance or changes in employees' performance can be accounted for by the confluence of the two independent variables. The value of the adjusted r square (regression coefficient) is 0.796 ($0.796 \times 100 = 79.6\%$) indicating that how much of the variance in the dependant variable (employees' performance) is explained by the model (which includes payment and benefit).

Table 4.15 ANOVA table for Regression Model

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.016	2	36.508	455.009	.000 ^b
	Residual	18.454	230	.080		
	Total	91.470	232			

a. Dependent Variable: Employees' performance

b. Predictors: (Constant), Payment, Benefit

Source: survey data: April 2017

The higher F value and less significance value ($p < .01$) indicate that the model reaches statistical significance and this tests the null hypothesis that multiple R in the population is equal to zero. In addition, the ANOVA table indicates that the model of the study is statistically significant and valid.

Table 4.16 Coefficient table for Regression Model

Model		Coefficients ^a			t	Sig.
		Un standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-.304	.096		-3.152	.002
	Benefit	.681	.031	.727	21.654	.000
	Payment	.361	.043	.280	8.354	.000

a. Dependent Variable: Employees' performance

According to Pallant (2005), in order to find the contributions of each independent variable to dependant variable included in the model it has to be noticed that the value of standardized coefficient (Beta).

4.3.6 Summary of Analysis

- In order to answer the research question and meet the research purpose, first of all the relationship between payment and employees' performance was found. The results of Bivariate correlation conformed there is strong and positive relationship between payment and employees' performance.
- In doing the analysis the relationship between benefit and employees' performance was also found. The results of Bivariate correlation conformed that there is a very strong positive relationship between benefit and employees' performance.
- Regression analysis was used to find out the effect of payment on employees' performance. The results also confirmed that payment has significant and positive impacts on employees' performance. The regression model result also suggests that with the largest beta coefficient

.681 at significance level 0.000 ($p < .01$), benefit makes the strongest unique contribution to explaining employees' performance as compared to payment.

- Furthermore, regression analysis shows that benefit (independent variable) makes the strongest unique contribution to explaining employees' performance (dependant variable) as compared to payment.
- The hypothesis was tested using ANOVA test, the results of the test confirmed the acceptance of the hypothesis i.e. there is significant relationship between benefit and employees' performance and there is significant relationship between benefit and employees' performance.
- The results of the test confirmed the acceptance of the hypothesis i.e. there is a significant difference on the effects of payment and benefit on employees' performance.
- The results proved that to enhance employees to perform better in their job, management need to give attention to both payment and benefit dimensions'. Because according to the survey, majority of the respondents replied that they are very highly motivated to pay/salary, cash bonus, health care, health and life insurance, staff mortgage loan, staff automobile loan and salary increment and highly motivated to house allowance, transportation allowance, revolving emergence staff loan and personal loan (consumer loan).

Chapter Five

Findings, Conclusions and Recommendation

5.1 Summary of Findings

The respondents were asked to indicate their opinion about features of financial reward practices in Commercial Bank of Ethiopia. Accordingly, the respondents agree that:

- CBE's financial reward scheme is not merit based.
- CBE's financial reward management system doesn't focus on the real needs of employees.
- When employees perform best as a team and/or individually it doesn't followed by any kinds of financial rewards.
- Employees' of CBE are unfamiliar with CBE's financial management system. Thus, there is lack training and development program regarding the performance management system of the bank.
- Financial rewards are applied in unjustifiable and has lack of comprehensiveness.
- There is no room for open negotiation and arguments between management and employees regarding any kinds of financial rewards. In other word CBE's financial reward system is not participatory.
- There is statistically strong and positive relationship exists between payment and employees' performance. However, there is statistically positive and very strong relationship exists between benefit and employees' performance.
- To test the hypotheses statistical tests (ANOVA) was used. Thus all three alternative hypotheses were accepted i.e. there is significant relationship between payment and employees' performance; there is significant relationship between benefit and employees' performance and there is a significant difference on the effects of payment and benefit on employees' performance.
- The regression analysis was also done to ascertain the extent to which the variables mentioned explain the variance in employee performance. The value of Adjusted $R^2=0.798$ which indicates 79.8% of variance in employee performance is explained by the variables payment and benefit. It also supports the research question in which at CBE financial rewards has effect on employee performance.

- the mean and standard std. deviation result shows that that they are very highly motivated to pay/salary, cash bonus, health care, health and life insurance, staff mortgage loan, staff automobile loan and salary increment and highly motivated to house allowance, transportation allowance, revolving emergence staff loan and personal loan (consumer loan). However they are less motivated to paid holidays and leave and Pensions.

5.2 Conclusion

Based on the findings the following main conclusions are drawn

The aim of the study was to explore the effect of financial rewards on employees' performance. To enhance employees' performance and to make them productive enough, development of attractive and competitive financial reward system is mandatory. Because, organizations will be productive if and only if their employees are productive and this can happen in bringing a better reward management system that always considers and meets employee's expectations.

The Analysis has shown significantly positive relationship between all dimensions of financial reward variables and employee' performance and it is also supported by the results of regression, and correlation analysis.

The results of this study are quite according to the hypothesis. Furthermore, the result of this study suggests that both payment and benefit are important factors that CBE need to focus to keep employee motivated for better performance. Neglecting this factors causes to build de-motivated employees which are subject to lower performance or even worse to leave the bank.

In conclusion, the major findings of this research show that financial reward is considered as an important factor for enhancing employees' performance.

5.3 Recommendation

From the findings of this study it was observed that there is a direct and positive relationship between financial rewards and employees' performance which means that the financial reward practices are directly correlated to employee performance. This indicates that the change in financial rewards necessarily results a change in the level of employees' performance. This shows that management in the Commercial Bank of Ethiopia can make use of different tactics, strategies and policies to improve the level of performance of employees in the organization. Based on the finding from closed and open ended questionnaire, interview and analysis of the study, the following recommendations are proposed:

- The current market is full of competition and rewards go far beyond CBE's financial reward system (payments and benefit). The current financial reward system alone is insufficient to motivate employees. Thus the organization needs to cop up with the current market price to retain its employees and attract qualified employees. Furthermore the bank shall continuously conduct analysis on the inflation and rewarding system; competitiveness and make corresponding decisions taking in to consideration market change trends and financial capacity of the bank
- CBE should specifically work to improve employees' awareness towards the current rewarding system of the bank. Also the bank needs to create a system that can link the two parties (management and employees) to make open discussion on the reward management system
- The bank should create a culture of recognizing small and large accomplishment: employees should be rewarded immediately when they meet large goals and perform best individually as well as in team.
- CBE need to revise the reward management system. Specially the management should consider the need of the employees while developing its' reward system. Furthermore CBE should reward employees more frequently specially after meeting individual as well as organizational objectives. This is because frequent rewards are easily linked to the performance. Thomson & Rampton, (2003), further maintains that, organizations that reward employees more often improves employees' performance compared to having the rewards maybe only once a year.
- Employee satisfaction survey which has been made at CBE should focus on the satisfaction level of employees concerning financial rewards. Specially the bank need to consider which financial reward dimensions are satisfactory and has effect on performance and which have not. Also, the employee satisfaction survey should be continuous since it helps the bank to measure satisfaction survey and take action on survey results.
- The financial reward system of CBE should develop some sort of criteria that are free from biased and segregation. The criteria for most of the financial rewards like (loan and salary increment) should not only base on service year of the employees it has also attached with the employees' PMS result. In relation to this, financial rewards like bonus should be based on employees' individual or team performance rather than branch performance.

- Post reward discussions between employees and management should be held consistently and immediately for some type of financial rewards (like bonus and salary increment) after evaluation and before employees develop a feeling anxiety and frustration. Managers in post-reward meetings should provide employees with specific performance feedback, should allow them to express their feelings freely, and should render them constructive suggestions, support, and advice to help them improve employees' performance and the quality and quantity of financial rewards.
- Based on the grade order question employees are very highly motivated to pay/salary, cash bonus, health care, health and life insurance, staff mortgage loan, staff automobile loan and salary increment and highly motivated to house allowance, transportation allowance, revolving emergence staff loan and personal loan (consumer loan). Therefore the company should give priorities for the aforementioned reward package in order to enhance employees' performance
- Finally, the researcher recommends that future research to be directed towards investigating the effect of financial rewards (payment and benefit) in private banks compared to CBE's and how financial reward practice looks like in private banks. Such study may influence management of CBE to give adequate attention and help the organization to enhance employees' performance through addressed variables and to expand the scope to cover unaddressed variables.

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Appendix

Appendix A
ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
POST GRADUATE PROGRAMS

MASTERS OF HUMAN RESOURCE MANAGMENT (MHRM).

Questionnaire to be filled by Employees of Commercial Bank of Ethiopia (CBE)

Dear Staff member/Respondents

I, Shiferaw Mekonnen student of Addis Ababa University school of commerce, department of human resource management; a prospective graduate student at Addis Ababa University, has designed this questionnaire to collect data from employees of CBE for conducting MA thesis on the title of The Effect of Financial Rewards on Employees' performance.

I kindly request you to spent your Precious time to fill the questionnaire as frank as and responsible as possible. I inform you that, the information you provide will be consumed for academic purpose only. It will be handled in a confidential manner and will not be used to identify you in any way. Therefore, you all are not expected to write your name.

Please answer all questions. If you are interested to have further information about this study or have any problem infilling this questionnaire you can contact me:

Tel No. 0911-05-15-56

or

Email: shifemek@gmail.com.

or

shifemek@yahoo.com.

Thank you very much for your cooperation.

General Instructions

1. You are not required to write your name.
2. All questions are equally important for the completion of the study.

Section One

Demographic Characteristics of Respondents

Instruction: please answer by making a tick () in the box provided

1. Age group: - Below 30 31-40 41-50 above 50
2. Gender: - Male Female
3. Marital Status: - Married Single Divorced Widowed
4. Qualification: - Less than Diploma Diploma Advance Diploma
First Degree Second Degree PhD
5. Years of service at CBE: - Less than 5 year 5 to 10 years
11 to 15 years More than 15 years
6. Monthly Salary: - $\leq 2,000$ 2,001- 4,000 4,001- 6,000
6,001-8,000 8,001- 10,000 Above 10,000
7. Your current position: - CSO CRO KYC
SCSO, Accounts SCSO, cash SCSO Branch controller

Section Two:

The current features of financial reward practices of the organization.

Instruction 1: Please indicate the extent to which you either **agree** or **disagree** with the following statements by marking a **tick mark** () in the appropriate column to the right side where:

5. Strongly agree 2. Disagree 1. Strongly disagree
4. Agree 3. Neither agrees nor disagrees (neutral)

S. No	Question Item	1	2	3	4	5
1	CBE's financial reward scheme is merit based.					
2	The financial reward system at CBE focuses on the real needs of employees.					
3	At CBE, financial rewards pursue immediately when employees perform best as a team and/or individually.					
4	financial rewards are based on employees individual performance					
5	CBE's financial reward Management system is easily understood by everyone in the organization.					
6	Financial rewards at CBE are applied in justifiable and inclusive manner.					
7	Employees have adequate knowledge about financial rewards provided by CBE.					
8	CBE's financial reward system is always open for negotiation and creates agreement between management and employees. (Participatory)					

How do financial rewards affect employees' performance?

S.	Question Item	1	2	3	4	5
Payment						
	Basic pay(salary)					
1	My salary is satisfactory in relation to what I do					
2	My salary is fair when compared with that of similar jobs in other commercial banks					
3	My salary is enough to satisfy my needs.					
4	The salary scale (grade) and pay structure implemented by CBE satisfy and motivate employees for better performance.					
	Salary increment					
5	Salary increment at CBE is managed fairly					
6	Salary adjustment made frequently according to the current market					
	Allowances					
7	House allowance provide by CBE are fair and it is matches with the current market price.					
8	Transportation allowance is fair with the current cost of transportation service					
9	Hard ship allowance is satisfactory and made adjustment according to the current market.					
	Bonus					
10	The organization's bonus practices strongly consider the level of my performance.					
11	CBE's bonus scheme is satisfactory and attractive when compared with that of similar jobs in other commercial banks.					
Benefit						
	Medical cost cover					
1	The existing medical cost coverage is satisfactory.					
	loan					
2	CBE's staff mortgage loan provide by CBE are fair and it is matches with the current market price.					
3	CBE's revolving emergence staff loan is sufficient to satisfy my					
4	There is a good and sufficient personal loan benefit at CBE.					
5	Staff automobile loan matches with the need of the employees.					
	Paid leaves & holidays					
	Paid leave and holly days (annual, maternity and paternity leave, week end leave ...) provide by CBE is fair and flexible when compared with that of similar jobs in other commercial banks.					
	Health and life insurance					

7	There is a good and attractive health and life insurance coverage.					
Employee performance						
1	I well understand and adhere to policies and procedures of CBE					
2	I effectively use resources including time and materials					
3	I usually report to work earlier than most of my colleague.					
4	I serve as many customers as possible					
5	I used to work only make sure that my supervisor watched what I am doing.					
6	I always make use of my skills and abilities effectively to the benefit of CBE					
7	I well knew for meeting schedules, deadlines, goals and targets timely.					
8	I actively peruse or initiate new ideas for the benefit of CBE					
9	I develop logical and creative solution to job related problems					
10	Most of my services/product meets the expectation of internal and external customers.					
11	Most of the time I behaves in a way that is aligned with culture, mission and vision of the organization.					
12	The feedback I get from my supervisor helped me to continuously improve my performance.					
13	I effectively work with other employees.					
14	The quantity or amount of service/product I deliver is more than average delivery of service/product delivered by my colleague					
15	I expend extra time (off the normal working hours) to achieve specific results.					

To what extent do financial reward variables contribute to employees' perceived performance?

Instruction 2 How would you rate the following financial rewards according to its effect on your performance?

No	Types of pay and benefit	<i>Very low effect</i>	<i>low effect</i>	<i>Average effect</i>	<i>high effect</i>	<i>Very high effect</i>
1	Pay\salary					
2	Cash bonuses					
3	Paid Holidays and leave					
4	Health care					
5	Health and life insurance					
6	Pensions					
7	Allowances					

	House allowance					
	Transportation allowance					
	Hard ship allowance					
8	Loan					
	Staff mortgage loan					
	Revolving emergence staff loan					
	Staff automobile loan					
	Personal loan (consumer loan)					
9	Salary increment.					

To find out measures that should be taken to address the problem of financial reward system and its implementation.

Instruction 3:- you kindly request to answer the following questions from your own point of view.

1. What are the problems that are currently facing CBE regarding financial reward (if any)?

2 What are the possible solutions for the above problems (if any)?

APPENDIX B
INTERVIEW GUIDE
ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
POST GRADUATE PROGRAMS

MASTERS OF HUMAN RESOURCE MANAGEMENT (MHRM).

These interview questions are designed to collect information about the **financial reward system** used in your organization. The information shall be used as a primary data in my thesis research which I am conducting as a partial requirement of my study at Addis Ababa University. Since your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the study, I request you and your organization for the release of the appropriate information.

Thank you, for your cooperation, in advance!!!

Background information

- i. Name
 - ii. position and
 - iii. number of years at this position
- Financial reward practices of the organization.

1. How do you define the reward system that you have in your company?
2. Is there a benefit of having a financial reward system within your organization?
3. How has the reward system been implemented in your company? (who makes the decision about the type of reward system, how is the structure and the presumption of it communicated to the employees)
4. Do you believe that the reward system in your organization has contributed to enhance employees' performance?
5. What is the basis for a reward in your company? Which activities and / or behaviors are you aiming to reward?
6. Anything else you would like to add?

