

# The Effect of Reward Practices on Employee Motivation in Dashen Bank S.C.

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A Thesis Submitted to Addis Ababa University School of Commerce in  
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Addis Ababa University School of Commerce

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## DECLARATION

I, Biruk Abera, declare that this thesis entitled “The effect of Reward Practices on employee motivation on in Dashen Bank S.C” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, **Abararaw Chane (Phd)**. I further confirm that this paper has never been submitted to any other university for any degree, or diploma program in this or any other institution. Finally, I declare that all source materials used in this research has been dully recognized and acknowledged.

Biruk Abera

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**Signature**

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## STATEMENT OF CERTIFICATION

This is to certify that Biruk Abera has carried out his research work on entitled “The Effect of Reward Practices on Employee motivation in Dashen Bank S.C” for the partial fulfillment of Masters of Arts in Human Resource Management at Addis Ababa University School of Commerce. This work is original and it is suitable for submission of Masters of Arts in Human Resource Management.

**Confirmation by Advisor:** \_\_\_\_\_

**Abraraw Chane (Phd)**

**Signature**

**Date**

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Thank you!

Biruk Abera

## **LIST OF ABBREVIATIONS AND ACRONYMS**

**ANOVA:** Analysis Of Variance

**HR:** Human Resources

**HRM:** Human Resources Management

**SPSS:** Statistical Package for Social Science

**DB:** Dashen Bank S.C.

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## ABSTRACT

*The purpose of this research was to investigate, the effect of reward practices on employee motivation in Dashen Bank S.C. The study used both primary and secondary sources of data. A quantitative research approach of data collection was used and 255 questionnaires were distributed out of which 241 of them were returned. Probability sampling (stratified) method was used and employees were selected from each stratum with a random sampling technique. Among the major findings, the overall perception of respondents over current reward practices were not happy, not enough, not competitive and not attractive. on other side the ranking orders as respondents choice of the most motivator factors from the list, payment is the highest influential factor for employee motivation followed by benefit, promotion, recognition and working condition respectively, but according to respondents choice work content and Supervision have the least motivational factors respectively. The result of correlation shows that; there exist positive and significant relation between payment, promotion, benefit, recognition & supervision and employee motivation. On other side, the result of regression analysis shows that; payment and promotion are high explanatory of employee motivation. On top of that, a significant portion of employees considered the reward practices in Dashen Bank S.C. as less motivating, unfair, not competitive and attractive and hence employees seemed to be less responsibility, less loyalty and belongingness and less committed to the organization. It is recommended to review the banks current reward practice that are factor that affect employee motivation.*

**Keywords:** *Reward Practices, Employee Motivation*

## CHAPTER ONE INTRODUCTION

### 1.1. Back ground of the Study

Every organization's success mostly relies on the workforce it employs. Employees are the main and unique resource organizations deploy in realizations of their objectives and goals. In today's highly competitive and rapidly changing working environment, organizations need to acquire and retain the right number of competent employee to gain competitive advantage. In order to acquire and retain qualified personnel, organizations must unfold Human resource system and Human resource management practices that are capable enough to win the heart and mind of employee over competitors. Human resources Management practices in place are the key determinants of whether workers believe that they are fairly treated, because they exert a major influence on work attitudes (Armstrong, 2009).

Now a day one of the most influential in organization are competitive advantage and core competence which is measured by the quality of employee they have, and an organization with fair and consistence Human resource policy, strategy and practices, Then employee feels loyalty and trustful for organization, which enables them to boost their commitment and motivation toward organization goals .As result the organization source of success is coming from talent, innovative and motivated employee.

Reward management is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization and motivate them to perform to high levels. The reward system consists of all organization components including people processes rules and decision making activities involved in the allocation of compensation and benefits to employee in exchange for their contribution to the organization (Armstrong & Murlis ,2007).

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

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

The success of any organization in the long run depends very much on the quality of its human resources. This is especially true in the service oriented industry like banking needs continuously service improvements which is impossible without motivated employee to meet the rising expectations of the customers.

The factors that enhance employee motivation are fair pay, incentives, special allowances, fringe benefits, leadership, encouragement, trust, respect, joint decision making, quality of supervision, adequate working relationships, appreciation, chances for growth, loyalty of organization, identification and fulfillment of their needs, recognition, empowerment, inspiration, importance attached to their job, safe working conditions, training and information availability and communication to perform actions (Aguinis, 2009).

Thus, the purpose of this research to assess the reward practices of Dashen bank s.c and the effects it has on employee motivation.

## **1.2. Historical Background of Dashen Bank**

Dashen Bank S.C. is a privately owned company established in 1995 as in accordance with the “Licensing and Supervision of Banking Business” Proclamation No. 84/1994, now suspended by Proclamation No. 592/2008, “A Proclamation to Provide for Banking Business” to undertake commercial banking activities. The Bank obtained its license from the National Bank of Ethiopia (NBE) on 20<sup>th</sup> September 1995 and started normal business activities on the 1st January 1996.

The first foundation members were 11-business man and professionals that agreed to combine their financial resources and expertise (Dashen Bank, 2014). Headquartered is located in Addis Ababa around bekilo bet on deberziet road and the Bank is one of the biggest private Banks in Ethiopia. It operates about a network of 235 branches, 10 dedicated For-ex bureaus, 220 ATMs (Automatic Tellers Machines) and 957 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 462 banks covering 70 countries and 170 cities across the world, (Dashen Bank 2015-2016 20th Annual Report).

Dashen Bank S.C. is established with a vision of “In as much as mount Dashen excels all other mountains in Ethiopia, Dashen Bank continues to prove unparalleled in the banking services.” Likewise it has a mission of “Providing efficient and customer focused domestic and international banking services, overcoming the continuous challenges for excellence the application of appropriate technology” (Dashen Bank, 2016).

Dashen Bank S.C. provides various banking services in Ethiopia. The company offers deposit products, including current, savings, hybrid, saving plus, youth, student, interest plus, and salary accounts; loan products, such as overdraft, term loans, letter of credit facility, advance on import bills, revolving overdraft, merchandise loans, trade bills discounted, export credit guarantee schemes, and letter of guarantee, as well as agriculture, manufacturing, import/export, trade and services, building and construction, and transport loans (Bloomberg business week, 2016).

### **1.3. Statement of the Problem**

Currently, companies need to think and act globally aligning their strategy with the rapidly changing environment and the stiff competition on the most valuable resource. Competitor may easily imitate other resources except the human resources which is unique and source of sustainable competitive advantage. For the organization, job satisfaction of its workers means a workforce that is motivated and committed to high quality performance and this will have an effect on increased productivity (Akinyi, 2013).

Many companies do have employee reward systems in place. But, employee sometimes may not give their full effort because of lack of motivation due to poor or unsatisfying existing reward systems exercised by their organizations. Consequently, the organization should plan a suitable reward system to gain better results. Because of the correct reward system the employee’s work motivation can boost up and enhance their commitment to their company (Akafo & Agyekum, 2015).

The banking industry exists in an intensely competitive market. In such environment, capability to retain efficient and experienced workforce in an organization is very crucial for the overall performance of the organizations. The highly motivated employee serves as the competitive advantage for companies because their performance leads an organization to well accomplishment of its goals.

The loss of employee represent a loss of skills, knowledge and experiences which can create a significant economic impact and cost to corporations as well as impacting the needs of customers.

According to the pilot survey undertaken by the researcher, discussion with different staffs of Dashen Bank, issue relating to the reward practice of the bank like salary, benefit, promotion, working condition, recognition, leadership and work content are major source of demotivation for staffs. Consequently, the reason needs to conduct this study were, in many occasion I have observed that many employees seems to be not committed to their work and they lack trust and belongingness to the bank.

Moreover, the staffs have a number of problems associated with financial and non-financial rewards provided by the bank. For instance; basic salary, transport allowance, housing and car loan is said not to be enough and is not subject to adjustment with the increase in cost of living. The medical benefits provided by the bank are not satisfactory and it does not have quality services. In addition to this, there are lack of subsidiary benefits like café, restaurant, gym and entertainment. There is also lack of convenient work place and office layout, supervision, absence of freedom and absence of interesting jobs. Moreover, there is lack of promotion opportunity; there is also lack of work commitment and lack of loyalty observed in many of the current bank staff.

As the study conducted in Ormiya Copratives Bank by Tamene Hmariam (2015), he found that there is positive and significant relationship between rewards (payment, recognition, work content, working condition, supervision, personal feelings, general feelings and work motivation except in the case of benefit as one of the reward element having insignificant relationship. Similarly, the study conducted by Bhailu chala,(2012) in Awash International Bank, The study's result has showed that employees of the bank are not motivated by the bank's reward system (salary, bonus, housing loan, medical expense, conducive work environment and career development opportunity).

However, the results vary when seen in terms of magnitude by which they affect employee satisfaction and motivation. As the needs of human beings vary significantly, the extent by which their motivation affected by one reward type to the other varies significantly.

Meanwhile, subsequent problems have been observed in the Bank, according to human resource annual report issue related with reward practices the following demotivated employee turnover have been recorded 55 in 2015 ,71 by 2016 & 45 up to January 2017, as result it increase recruiting cost, increase training cost, decreased productivity, missing talented and experienced employee is very costly to the organization, Therefore; the stated problems initiated the researcher to further investigate the effects of reward practice and employee motivation in Dashen Bank S.C. and fill the gaps and tried to give recommendation and suggestion to the organization. Thus these issues hold the core of what is to be studied and shades light on important areas on which the Bank can take maintenance measures.

Therefore; the stated problems initiated the researcher to further investigate the effects of reward practice and employee motivation in Dashen Bank S.C. and fill the gaps and tried to give recommendation and suggestion to the organization. Thus these issues hold the core of what is to be studied and shades light on important areas on which the Bank can take maintenance measures.

The study also tried to address the issue of what possible relationship exists between employee reward practice and employee motivation. Effective implementation of reward practice not only helps the organization but also guarantee a positive relationship with the employee, through attractive payment, good benefit package, opportunity for promotion & recognition, quality of supervisor and on relatively variety and interesting work. Further it enhances the employee's commitment, motivation and engagement which can be a core competency for the organization.

#### **1.4. Research Questions**

1. What is the perception of employee about the bank reward practices?
2. What is the relationship between extrinsic reward and employee motivation?
3. What is the relation between intrinsic reward and employee motivation?
4. Which types of reward practices are the most influential to employee motivation?

#### **1.5. Objectives of the Study**

##### **1.5.1. General Objectives**

The main objective of the research is to assess the effects of reward practices on employee motivation in Dashen Bank S.C.

### 1.5.2. Specific Objectives

1. To measure the relation between extrinsic reward (payment, benefits, promotion, work condition and supervision) and employee motivation.
2. To identify the relation between intrinsic reward (recognition and work content) and employee motivation
3. To determine which types of rewards most contribute to work motivation of employee
4. To measure the perception of employee in the bank toward reward practices

### 1.6. Significance of the Study

The study has the following significances,

1. Brings awareness to the banking sector how the motivation of employee can be affected by the level of rewards provided to their employee.
2. Helps the management of the organizations to understand the importance of reward and how it could be effectively delivered to the employee to improve their performance
3. Give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues

### 1.7. Scope and Limitation of the Study

Due to time and other constraints, the scope of the study was delimited in three categories namely, geographically, conceptually, methodologically and time fame.

The first one is geographically, only employee of the bank located in Addis Ababa city. Secondly conceptually, the study only focused on extrinsic reward like payment, benefits, promotion, working condition, recognitions, supervision and intrinsic reward like work content and employee work motivation.

Thirdly methodologically, the study has followed quantitative research approach, and finally the study have been considered permanent employees under job categories of clerical, professional and line management, who have more than one year's work experience in the Dahren Bank.

Due to the fact that, the company non-clerical positions are outsourced and reward practices is not implemented for temporary workers.

## 1.8. Definition of Terms

**Reward:** The compensation which an employee receives from an organization 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 ( Jiang, 2009).

Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility (colin pitts 1995).

**Motivation:** The willingness to exert high levels of effort toward organizational goals, conditioned by the effort's ability to satisfy some individual need (Robbins ,1998).

**Intrinsic Reward:** An intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her ,(HaticeÖzutku 2012).

**Extrinsic Reward:** An award that is tangible or physically given for accomplishing the job. (HaticeÖzutku 2012).

**Payment:** Pay one received from his or her employer in exchange of service he or she gives. It is the amount of pay (fixed salary or wage) that constitutes the rate for the job (Armstrong, 2006).

**Promotion:** The move that an employee move to higher job category or income bracket (Gungor 2011).

**Recognition:** is the demonstration for appreciation for a level of performance, an achievement or contribution to an objectives (colin pitts ,1995).

**Employee Benefits:** Financial and non-financial other than base pay one receive for services rendered to employers. (Milkovich , Newman & Ratnam ,2009).

**Work Content:** The nature and variety of jobs one perform (Mottaz,1985).

**Working Condition:** Work environment in which an employee perform his/her work. (Gungor 2011),

**Supervision:** The relationships an employee do have with his/her manager or supervisor. It refers to the characteristics and quality of leadership.(Armstrong & mulris, 2004).

**Intrinsic motivation:** is derived from the content of the job. It can be described as the process of motivation by the work itself in so far as it satisfies people's needs (Herzberg ,1957).

**Extrinsic motivation:** arises when management provides such rewards as increased pay, praise, or promotion (Herzberg ,1957).

### 1.9. Organization of the Study

The study was organized into five chapters. The first chapter discuss the background information of the study, back ground information of the organization, statement of the problem, research questions, the research objectives, significance of the study, scope of the study, limitation of the study, definition of terms and organization of the study . Chapter two is concerned with the various literatures to be reviewed in order to enhance the knowledge about the area followed by conceptual framework. Chapter three discusses the research design and methodologies are adopted for the study with relevant justifications. Chapter four presents the findings, results and analysis on the effects of reward practices on employee motivation in Dashen Bank S.C. Chapter five comprise the summary of findings, conclusions and recommendations.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURES

In this chapter, the study focuses on explaining and discussing the effects and relationship of reward practices and employee work motivation.

#### 2.1. The Concept of Motivation

Different authors define motivation in different ways. Torrington et al., (2009), defined the term as the desire to achieve beyond expectations, being driven by internal rather than external factors, and to be involved in a continuous striving for improvement.

Armstrong (2010), describes motivation as the force that energizes, directs and sustains behavior. Motivation theory explains how motivation works and the factors that determine its strength. It deals with how money and other types of rewards affect the motivation to work and level of performance. It therefore influences decision on how people should be valued, the choice and design of financial rewards and the use of nonfinancial rewards.

The most practical definition proposed by different social scientists is that, motivation is a psychological processes that origin the stimulation, direction and persistence of behavior.

#### **Employee Motivation**

The direct effect of rewards is on employees' motivation. Various definitions of motivation exist. For this thesis, employees' motivation is seen as the employees desire to work and perform well in order to contribute to organizational or project success. Two types of motivation exist: Intrinsic and extrinsic motivation. Intrinsic motivation is "self-generated" and means employees are motivated to work because of the work while extrinsic motivation is generated by external stimulus such as rewards (Armstrong, 2002).

Three perspectives were identified in the literature about how rewards affect motivation and hence reward practice. First, extreme opponents of rewards argue that rewards negatively affect employees' motivation under any circumstances. Accordingly, the extreme reward opponents completely refuse the use of rewards. In contrast the extreme proponents of rewards argue, rewards positively affect employees' motivation under any circumstances.

Accordingly, they advocate the use of one universal reward style and propose a best practice approach. Finally, modest reward proponents argue that the rewards effect on employees' motivation may be both, positive or negative. The effect depends on some variable factors that lead to different good practices in rewarding but no universally best practice (Armstrong & Murlis ,2004).

### **Types of Motivation**

There are two types of motivation at work as originally identified by Herzberg et al (1957). These are:-

**Intrinsic motivation**– this is derived from the content of the job. It can be described as the process of motivation by the work itself in so far as it satisfies people's needs.

Intrinsic motivation can arise from the self-generated factors that influence people's behavior. It is not created by external incentives. It can take the form of motivation by the work itself when individuals feel that their work is important, interesting and challenging and provides them with a reasonable degree of autonomy (freedom to act), opportunities to achieve and advance, and scope to use and develop their skills and abilities.

**Extrinsic motivation**– It arises when management provides such rewards as increased pay, praise, or promotion. The extrinsic motivators can have an immediate and powerful effect, but this will not necessarily last for long.

Extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise, or promotion; and punishments, such as disciplinary action, withholding pay, or criticism.

## **2.2. Theories Related to Motivation**

A central aspect for all organizations is to motivate their employees. From an organizational perspective, the motivation is important due to the fact that it can empower high-performing employees to stay within the organization. Additionally, the employees can through a higher degree of motivation develop their overall skills in their specific job task and be more engaged to perform at a higher level (Alvesson & Sveningsson, 2008).

The most practical definition proposed by social scientist that, motivation is a psychological processes that origin the stimulation, direction, and persistence of behaviour (Luthans, 2005). Motivation theory examines the process of motivation. It explains why people at work behave in the way they do in terms of their efforts and the directions they are taking. (Armstrong, 2006).

Thus motivation becomes those psychological procedures that cause the arousal, direction, and persistence of voluntary actions that are goal directed. The features such as incentives and rewards are the most favored factors for employee motivation programs. However, the performance of employee job satisfaction is an imperative motivator and an arrangement of psychological and environment circumstances (Spector 1985). Motivation programs are the key component of incentives, rewards and recognition as different organizations correlate success factor with employee performance. Employees are completely motivated when they achieved their needs.

Motivation theories can be classified as content (need) or process (approach to motivation) theories. The content theories attempts to identify the specific factors that motivates people and it helps us to understand what people will or will not value as work rewards. Alternatively, process theories offer more dynamic approach and are more interested in understanding the process of developing motives. Thus, there is less emphasis on specific factors that cause behavior (Beardwell, et al, 2004).

## **Content Theories of Motivation**

### **Hierarchy of Needs Theory**

Maslow's theory stated that individuals are motivated to satisfy a number of different kinds of needs, some of which are more powerful than others. Maslow argues that until these most pressing needs are satisfied, other needs have little effect on an individual's behavior. In other words, we satisfy the most proponent needs first and then progress to the less pressing ones. As one need becomes satisfied, and therefore less important to us, other needs loom up and become motivators of our behavior (Stuart, 2011).

According to this theory, once the needs at a particular level in the hierarchy of needs are satisfied, they are no longer a motivating factor for an individual. The five levels of hierarchy are satisfied, they are no longer a motivating factor for an individual. The five levels of hierarchy are Physiological needs, security needs, social needs, esteem needs and self-actualization needs. Maslow represents this prepotency of needs as a hierarchy. The most prominent needs are shown at the bottom of the ladder, with prepotency decreasing as one progresses upwards.

Maslow's five levels of hierarchy of needs from the top to the bottom are mentioned below.

- Self-Actualization – reaching your maximum potential, doing your own best thing.
- Esteem – respect from others, self-respect, recognition.
- Social Needs (Belonging) – affiliation, acceptance, being part of something.
- Security (Safety) Needs – physical safety, psychological security.
- Physiological Needs – hunger, thirst, sex, rest.

The basic needs are arranged in a hierarchy where the most basic need emerges first and the most sophisticated need last. In other words, the higher-order needs including belonging, esteem, and self-actualization are not seen important until the lower-order needs which are safety and physiological are satisfied. Managers should find out what motivates the employees at each of the levels and develop a reward strategy accordingly (Tosi, Rizzo & Carroll, 1994 and Beardwell & Claydon, 2007).

Maslow's hierarchy of Needs has been criticized because there is little evidence that supports its strict hierarchy and the fact that people satisfy only one motivating need at a time. The theory also fails to prove any clear relationship between needs and behavior, and is therefore unable to predict when a specific need will be manifested (Beardwell & Claydon, 2007).

### **ERG Theory**

According to Alderfer (1972) there are three groups of core needs - Existence, Relatedness, and Growth coded as (ERG theory). Alderfer's three core needs include the five needs of Maslow's need hierarchy and also define the differences between the two theories. First of all, Alderfer has recognized that more than one need can be operative at the same time, and second, if the gratification of a higher level need is stifled, the desire to satisfy a lower level need increases. In general, ERG theory represents a more valid version of the Maslowian need hierarchy. Robbins

(2005) puts in this way: ERG theories, argues, like Maslow's theory, that satisfied lower-order needs lead to the desire to satisfy higher-order needs; but multiple needs can be operating as motivators at the same time and frustration in attempting to satisfy a higher-level need can result in regressions to a lower level need.

### **Hertzberg's Two-Factor Theory**

A well-cited motivation theory is Hertzberg's two-factor theory. This theory argues that employees have two different factors, which are named, satisfiers and dissatisfiers. The dissatisfiers can only provide that the employees within the organization are not dissatisfied, and the satisfiers are therefore the factors that could increase employees' motivation. The dissatisfiers can for example be high salary or bonuses that employees are working in. These are factors that need to be fulfilled so that employees do not feel uncomfortable. However, these factors cannot generate satisfaction for the employee. The satisfiers on the other hand, which for example could be personal development, greater responsibility and the work tasks itself, can satisfy the employees. (Alvesson & Sveningsson, 2008).

According to Hertzberg, specific emphasis should be put on tasks that the employees associate with the job task, or the results from these tasks. The organization should to a greater extent put effort on personal development and recognition for a well-done work or through the use of promotion, which are more intrinsic motivational aspect that to a greater extent should be emphasized on. (Robbins et al, 2010).

### **Process Approaches**

#### **Goal-Setting Theory**

Latham and Locke (1979), argue that setting goals are a fundamental aspect in achieving motivational effectiveness. In addition, the authors emphasize that those goals, which are unrealistic and arbitrary, could become a demotivating aspect for the organization's employees. According to their analysis, goals that are designed to as lightly difficult approach are the ones that to a greater extent are motivating the employees to greater productivity. On the other hand, goals that are too hard to achieve or too easy to reach is resulting in a less productive action by the employees.

According to Locke and Latham (2002) ,goals are mainly serving four different mechanisms.

Firstly, the goals serve as a distinct directive function; this allows the employee to, at a greater extent, focus on goal-oriented activities, instead of focusing on activities that is beyond the goals. This mechanism provides the fact that the firm can align the employees with the organization's overall targets, when well-designed goals are used.

The second aspect that Locke and Latham points out is that goals allow employees to take on greater effort and is functioned as a stimulating function. If the organization had tougher goals, the employees would to a larger extent put more effort in comparison with low-setting goals, which provide less effort by the employees.

Thirdly, goals are providing persistence affection to the employees, which imply that employees that control their own time to reach the goal increase their effort in the task. Finally, the authors describe that goals are encouraging employees to use their overall knowledge and expertise to solve the task.

To reach goals, commitment is essential in the sense that the employees are dedicated to reach the goals. This is especially important when the goals are more complex, since greater complexity requires higher efforts in comparison with lower level of complex tasks (Locke & Latham, 2002)

Another vital aspect in reaching more effective goals is to provide employees with constant feedback from the managers. This feedback is fundamental since it allows the employee to receive comments on progress to reaching the goal. This feedback can enhance the effort, since unaware low-performing employees is more likely to enhance their effort to achieve the goal if they are well aware of that they are below the current goal level. Goal effectiveness is also depending on the task's complexity, which implies that it is of great importance that the goals are designed properly to suite task (Locke & Latham,2002). The motivational effect is underpinning that the goals need to be achieved, and a potential threat can occur when employees is taking shortcuts to achieve the goals, which results in performance that is less qualitative ( Hein, 2012)

The goal-setting theory is presented in order to generate a wider picture of how organizations use goals and feedback to improve the motivation within the organization.

### **Theory of Expectancy**

The underlying motive behind the reward system is to motivate employees to perform at a higher level when attractive rewards are offered. (Jacobsen & Thorsvik, 2002)

The core of the expectancy theory is relying on employees' willingness to perform a certain activity. This is depending on the extent to which a specific target is rewarded, which for example could be a higher salary or a promotion within the organization. If the employee within the organization perceive the reward as valuable, the performance will be greater. On the other hand, if the rewards are demotivating the employee, the performance will be poorer. (Alvesson & Sveningsson, 2008).

It is essential that the reward is of a nature which is preferred by employees. The higher degree of an actual desire for the reward, will affect to which extent the employees are motivated to put down greater effort to perform. It is fundamental that there is a clear-cut connection between a higher degree of effort, and that these actions are leading to the preferred reward. This is the expectancy parameter, which summarize the individual employee's degree of expectancy to put down the effort in alignment with the organization. The achieved results are depending on factors such as roles, ability to perform a certain action and other human resources, which affect the ability to reach the result. Therefore, employees within the organization are often to a great extent motivated to act in a certain way. Hence, not all of the employees have the ability to perform actions that leads to the preferred result. (Jacobsen & Thorsvik, 2002).

Jacobsen & Thorsvik (2002) further describes how the theory of expectancy is reflecting the fact that if employees' motivation is zero, the expected performance will as well be zero. Consequently, the reward system need to be tailored to motivate high performance through the rewards and designed in a manner in which employees clearly see the relationship between these two parameters.

### **Equity Theory**

Equity theory focuses on people's perceptions of the fairness of their work outcomes compared with, or corresponding to, their work inputs (Armstrong, 2009). The theory in fact complements expectancy and need theories by shedding light how people perceive the relationship between the outcomes they receive from the organization and the inputs they contribute.

The theory is based on strong social norms about fairness. It postulates that employees are inclined to subjectively weight efforts given to do the job and rewards taken for doing this job and compare rates of the rewards with other people doing the same job. “An employee is the most satisfied in situations when the gives and takes are equal. If comparison shows imbalance and unfairness (i.e. an employee thinks his or her co-worker has been paid more or less for the same job), the worker is inevitably brought to psychological tension”.

### **2.3. The Concept of Reward**

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 and preferable growth opportunities (Jiang, 2009).

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

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. The reward system consists of all organization components – including people processes rules and decision making activities involved in the allocation of compensation and benefits to employee in exchange for their contribution to the organization (Pratheepkanth, 2011).

Reward management system contains the organization’s policies, processes and practices for rewarding its employee in accordance with their contribution, abilities and artifice. It is progressed within the organization’s reward philosophy, strategies and policies, and includes

agreements in the form of processes, practices, structures and procedures which will provide appropriate types and levels of pay, benefits and other forms of reward (Armstrong, 2003).

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

#### **2.4. Reward Objectives**

Different writers present varying purpose of reward management. But, the purpose of reward management according to (Capitulo, 2007), includes attracting and retaining good employee, reducing absenteeism, motivating enhanced performance, developing employee skills, facilitating organizational culture and strategic objectives, and defining and reinforcing organizational structure. Among these, the idea of having or attracting and retaining good employee worth further enlightenment as many of the competitive advantage of firms in today's dynamic business environment lies more on having good pool of human resources than technology, good system in place and other production tools .

The main purpose of reward is to attract the right people and provide interest to motivate by some types of rewards, so that employees are dedicated to maintain high level of performances. Other purpose of reward is acknowledging individuals for their contribution and performances moreover should foster loyalty and pride in so that employee want to stay and strive to do their best. (Rose, 2014).

Among many the aim of reward management are rewarding people according to what the organization values and wants to pay for; reward people for the value they create, 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, and align reward practices with both business goals and employee values. Further, it helps to operate fairly apply equitably, function consistently and operate transparently (Armstrong. 2006).

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. These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if human resource is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (Armstrong, 2006).

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.

## **2.5. Elements of reward management**

The elements of reward management consist of reward policies, practices, processes and procedures. notably, reward policies address broad issues of the level of rewards, taking into account „market stance“, achieving equal pay, the relative importance attached to external competitiveness and internal equity, the approach to total reward, the scope for the use of contingent rewards related to performance, competence, contribution or skill, the role of line managers and transparency – the publication of information on reward structures and processes to employee. (Armstrong & Murlis, 2007).

### **Reward Policies**

According to Armstrong and Murlis (2007), reward policies provide guide lines for the implementation of reward strategies and design and management of reward processes. They will be influenced strongly by the guiding principles and reward philosophy of the organization. The reward policy will be concerned with, the level of rewards, the relative importance attached to market rates and equity, attraction and retention of employees , the match between rewards and

business performance, total reward policy, the need to communicate reward policies to employees and transparency.

### **Reward Practices**

It consists of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rate of increase.

### **Reward Philosophy**

The reward philosophy advocates that if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then, it is proper to reward people differentially according to their contribution ( Armstrong, 2006). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy. According to Milkovich, et al, (2009), reward strategy should be assessed from the aspect of its objective, alignment with the business strategy, competitiveness both internally and externally, its Contribution, and transparency and openness.

## **2.6. Total Reward Program**

Total reward is the combination of financial and non-financial rewards available to employee. It comprises of total remuneration (base or basic pay, job evaluation, market rate analysis, grade and pay structures, contingent pay, employee benefits, performance management and non-financial rewards - rewards that do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, promotion, scope to use and develop skills, training, career development opportunities, working condition and high quality leadership (Armstrong, 2006).

### **2.6.1 Financial Rewards**

These are types of rewards given in the form of monetary pay that may be given directly or indirectly to employee. The direct form of payment incorporate base pay/ salary, merit pay/cost of

living adjustments, incentives, bonuses, and others, that are directly given to employee (Milkovich et al, 2009). On the other hand indirect form of payments are provided in the form of employee benefits such as pensions, holidays, and varied fringe benefits such as medical cost coverage, cafeteria benefit, etc. They are also known as transactional rewards.

### **Base pay**

Base pay is the core payment made by the employer for work performed and usually tends to reflect the organizational value of either the work that the employee undertakes or the value of skill and competency who is undertaking the work. It is directly related to time and the rate is calculated in terms of number of hours, week or month that the employee performed the task given (Thorpe & Homan, 2000).

There are a number of assumptions that underpin the relationship of time to pay. One of these is that time beyond stated hours of work has more exchange value and therefore is paid at premium rates. The variation in premium rates reflects the differing value placed on different periods of time. For example, employees work at their day offs are paid double of their daily salary, those who work at night shift get additional of half of their hourly salary for each hours they worked, etc. The basis of base pay is the period of time an employee worked and normally not associated with productivity of an employee at a particular time.

### **Benefits**

These are benefits given to employees in addition to their salary/wage. Such benefits are those monetary and non-monetary benefits given to the employees during and post-employment period which are connected with employment but not to the employee's contribution to the organization. They are also known by the name fringe benefits. Authors like Cascio (2003), claim that fringe benefits covers bonus, social security measures, retirement benefits like provident fund, gratuity, pension workmen's compensation, housing medical, canteen, Co-operative credit, consumer stores educational facilities, recreational facilities financial advice and so on.

#### **2.6.2 Non-Financial Rewards**

Rewards that do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, promotion, scope to use and develop skills, training, career development opportunities, working condition and high-quality leadership (Armstrong and

Murlis, 2004). Non-financial rewards can be focused on the needs most people have, although to different degrees, for achievement, recognition, responsibility, influence and personal growth.

### **Recognition**

Recognition of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can do. Armstrong and Murlis (2005), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards.

### **Achievement**

The other type of non-financial reward is recognition. It is defined as the need for competitive success measured against a personal standard of excellence. This is one of the three major needs of employees at managerial position: achievement, power, and affiliation. Employees' achievement motivation can be raised by organizations through processes such as job design, performance management, and skill or competency-related pay schemes.

### **Promotion**

It involves a competitive selection process, and results in the employee's movement in to a different role in a higher pay band. If it is done fairly it enhance employee motivation and competitiveness.

### **Personal growth**

Individual employees irrespective of their current level want to upgrade themselves. This is the philosophy of continuous development. The availability of learning opportunities, the selection of individuals for high-prestige training courses and programs and the emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can all act as powerful motivators of employees to higher performance

### **Working Condition**

The conditions in which an individual or staff works, including but not limited to such things as amenities, physical environment, stress and noise levels, degree of safety or danger, and the like.

## 2.7. Effects of Reward

Torrington et al., (2009) stated reward has multi-dimensional effect on the general effectiveness of a company through such as attraction and retention of employees, motivation of performance, motivation of skill development and driving changes.

**Attracting staff:** the reward package on offer must be sufficiently attractive to that of an organization's labor market competitors to ensure that it is able to secure the services of the staff it needs. The more attractive the package, the more applications will be received from potential employees and the more choice the organization will have when filling its vacancies. Similarly, wills, (2000) confirmed the idea as reward is the most critical issue when it comes to attracting and keeping talent. Attractive packages allow the appointment of high-caliber people and often mean that organizations are able to fill vacancies more quickly than is the case with reward offering which is either unattractive or poorly communicated.

**Retaining staff:** the costs associated with recruiting and developing people, as well as the growing significance of specialist organizational knowledge in creating value and maintaining competitive advantage, mean that retaining effective performers is a central aim of reward strategy in many organizations, particularly those competing in knowledge intensive industries where highly qualified people are in short supply. This requires strategic aspects of reward package that is attractive enough to prevent people from becoming dissatisfied and looking elsewhere for career development opportunities. Flynn (1998), also added reward and recognition program keep high spirit up and improve the retaining capacity of companies (Torrington, 2009).

**Motivating staff:** reward play a vital role in determining the significant performance in job and most commonly, it is positively associated with the process of motivation (Danish & Usman, 2012). Aside from helping to ensure that effective performers are recruited and retained, in more general terms it is necessary that reward package should serves to motivate positively and does not demotivate. Occupational psychologists many of whom accept that the power of monetary reward to motivate is very limited, at least over the longer term, have long debated the question of the extent to which money ever can positively motivate. What is not in doubt, however, is the very considerable power of poorly designed or implemented reward practices demotivate, particularly when they are perceived by staff to be inequitable in some shape or form.

**Driving change:** pay can be used specifically as one of a range of tools underpinning change management processes. The approach used is to tie base pay, bonuses or promotion to the

development of new behaviors, attitudes or skills gained by employees. Pay works far more effectively than simple exhortation because it provides a material incentive to those whose natural inclination is to resist change. It also sends out a powerful message to employee indicating the seriousness of the employer's intentions as regards proposed or ongoing changes (Torrington et al., 2009).

## **2.8. Forms of Reward and the Relation between Employee Motivation**

### **Intrinsic Rewards**

Intrinsic rewards are an intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her (Armstrong & Murlis, 2007).

Intrinsic rewards are those that exist in the job itself. Examples are achievement, variety, challenge, autonomy, responsibility, and personal and professional growth , status, recognition, praise from superiors and co-workers, personal satisfaction, (Mahaney & Lederer, 2006).

According to Mottaz (1985), Intrinsic rewards are derived from the content of the task itself and include such factors as interesting and challenging work, self-direction, variety, creativity, opportunities to use one's skills and abilities, and sufficient feedback regarding the effectiveness of one's efforts . Employee are thought to be motivated to work hard to produce quality results when they have pride in their work and they believe their efforts are important to the success of the organization objectives (Mahaney & Lederer ,2006).

### **Extrinsic rewards**

Extrinsic rewards, on the other hand, are external to the job itself. An extrinsically motivated person will be committed to the extent that he can gain or receive external rewards for his or her job (Armstrong & murlis, 2007).

The extrinsic rewards themselves can be divided as financial and non-financial rewards and, it enhance directly the financial well-being of the employee.

They comprise such elements as competitive salaries, pay raises, merit bonuses and fringe benefits, bonus and promotions. On the other hand, non-motivational rewards do not increase the financial pay offs to the employee. Instead of making the employee's life better of the job like the

financial rewards, they emphasize making life on the job more attractive.(Mottaz ,1985, Mahaney & Lederer, 2006).

These types of rewards include things such as job security, office furnishings, parking spaces, private office space, and the social climate and top-line computers in the office. (Armstrong, 2006).

Firms are able to improve worker productivity by paying workers a wage premium- a wage that is above the wage paid by other firms for comparable labor. A wage premium may enhance productivity by improving nutrition, boosting morale, encouraging greater commitment to firm goals, reducing quits and the disruption caused by turnover, attracting higher quality workers and inspiring workers to put forth greater effort (Goldsmith, et al, 2000). As a result, people are attracted to well-paying jobs, extend extra effort to perform the activities that bring them more pay, and become agitated if their pay is human resource decreased (Stajkovic & Luthans, 2001).

## 2.9. Discussing the variables

A variable refers to a characteristic or attribute of an individual or an organization that can be measured or observed and that varies among the people or organization being studied Creswell (2004) as cited in Creswell (2002).

### **Independent Variables**

Are variables that (probably) cause, influence, or affect outcomes. They are also called treatment, manipulated, antecedent, or predictor variables

### **Dependent Variables**

Are variable that depend on the impendent variables; they are the outcomes or results of the influence of the independent variables. Other names for dependent variable are criterion, outcome, and effect variables.

Finding out exactly what makes people feel motivated about their work can become a multi - faceted issue. According to Arnold and Feldman (1996), there are a variety of factors that make people feel positive or negative about their job. It has been of keen interest to many scholars on

why some people report being motivated with their jobs, while others express much lower levels of motivation.

According to Herzberg (1968), there are factors which act as strong determiners of employee motivation which include; achievement, recognition, the work itself, responsibility and advancement. Other determinants are supervision, working conditions, salary and interpersonal relations.

### **Payment**

Base pay is the core payment made by the employer for work performed and usually tends to reflect the organizational value of either the work that the employee undertakes or the value of skill and competency who is undertaking the work. It is directly related to time and the rate is calculated in terms of number of hours, week or month that the employee performed the task given (Thorpe & Homan, 2000).

There are a number of assumptions that underpin the relationship of time to pay. One of these is that time beyond stated hours of work has more exchange value and therefore is paid at premium rates. The variation in premium rates reflects the differing value placed on different periods of time. For example, employees work at their day offs are paid double of their daily salary, those who work at night shift get additional of half of their hourly salary for each hours they worked, etc. The basis of base pay is the period of time an employee worked and normally not associated with productivity of an employee at a particular time.

Well-paid workers are believed to be more motivated by. There is no doubt that monetary rewards may play a very influential role in determining motivation. As indicated by Arnold and Feldman (1996), pay can have a powerful effect in determining motivation. Man has multiple needs and money provides the means to satisfy these needs (Arnold & Feldman 1996).

Locke (1976) further emphasized that a desire for money stems from people's needs to satisfy their physical and security needs, whilst "go getters" view pay as a status and recognition symbol. Chung, (1977) also reminds that if salaries are not market related, this can lead to dissatisfaction and discontent.

### **Benefits**

These are benefits given to employees in addition to their salary/wage. Such benefits are those monetary and non-monetary benefits given to the employees during and post-employment period which are connected with employment but not to the employee's contribution to the organization. They are also known by the name fringe benefits. Authors like Cascio (2003), claim that fringe benefits covers bonus, social security measures, retirement benefits like provident fund, gratuity, pension workmen's compensation, housing medical, canteen, Co-operative credit, consumer stores educational facilities, recreational facilities financial advice and so on.

Employee benefit is one of powerful motivator factors and it is element of remuneration given in addition to the various forms of cash pay. They also include items such as annual holidays, pension sick leave insurance cover, company cars, home, and transportation (Armstrong & Murlis, 2005). It also taking into account, market stance is that internal rate of pay and compare with market rates

### **Promotion**

Herzberg (1959) supported that the achievement of recognition and advancement are the main causes of motivation. Several researchers focused on the correlations between motivation and promotion. Locke (1976), advocates that the wish to be promoted stems from the desire for psychological growth, the desire for justice and the desire for social stays. Management should therefore bear in mind, that promotion can serve as a very positive motivating tool in ensuring that the employee attains goals at a higher level.

The importance of promotion appears to be different for people that belong to different social classes and who perform at different skill levels. For professional and managerial people, work is part of their career and promotion is the highest reward. For semi-skilled and unskilled people, promotion is less important. It involves a competitive selection process, and results in the employee's movement in to a different role in a higher pay band. If it is done fairly it enhance employee motivation and competitiveness

### **Supervisions**

According to Herzberg (1968), leadership or supervision includes all the skills and abilities of the supervisor to lead, to coach and to solve problems. These aspects are crucial for his or her success and enhance employee motivation in their working environment.

### **Work condition**

The conditions in which an individual or staff works, including but not limited to such things as amenities, physical environment, stress and noise levels, degree of safety or danger, and the like.

Workplace environment may have either positive or negative impact on the motivation level of employees depending upon the nature of working environment. The employees can perform better if they are provided good environment. The working outcomes are directly interlinked with working environment; the more it (environment) is conducive the better the outcome will be.

Dole and Schroeder (2001) emphasized that when working environment is conducive it will give higher level of motivation then it reduces turnover and in turn enhances the morale of an employee. Carlopio (1996) found that motivation with workplace is optimistically associated with job accomplishment and it is indirectly connected with turnovers.

### **Recognition**

Recognition is one of the most powerful methods of rewarding people. Recognition needs are linked to the esteem needs in Maslow's (motivation and personality, 1954) hierarchy of needs. They are defined by Maslow (1954) as the need to have a stable, firmly based, high evaluation of one (self-esteem) and to have the respect of others prestige. According to (Oosthuizen, 2001), he emphasized that recognition is the acknowledgement of an individual contribution showing appreciation and to reward the individual for an accomplishment of a task or sound performance.

Recognition can be provided by positive and immediate feedback from managers and colleagues that acknowledge individuals and team contributions. It is also provided by managers who listen to and act up on the suggestion of their team's members. Other actions that provide recognition include acknowledge contribution, allocation to a high-profile project, and enlargement of the job to provide scope for more interesting and rewarding work

Recognition of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can do. Armstrong and Murlis (2005), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards.

### **2.10. Empirical studies on reward and motivation**

After considering theories that bear on the impact of extrinsic rewards on intrinsic motivation and discussing a specific study by two authors (Kohn and Pink) to demonstrate that extrinsic rewards can actually increase intrinsic motivation, according to Gerald, Gerhart, and Fang, (2013) come to an outcome that rewards clearly tend to increase performance, and this is because they increase total motivation (extrinsic plus intrinsic). Detrimental effects of extrinsic rewards are not inevitable, and appropriate use of rewards can increase intrinsic as well as extrinsic motivation. Negative effects on motivation can be averted systematically by clearly understanding and avoiding the conditions that could create a negative effect.

Further, the effects of the reward depend on the social context in which it is provided. If the reward is appropriately implemented, it should enhance, rather than undermine, intrinsic motivation making the incentive effect that much more powerful than if it relies on extrinsic motivation alone. This requires appropriate communication about the importance of the task and the nature of the incentive; specific, meaningful performance goals; appropriate feedback and support from supervisors; selection systems that help sort out those who do not fit the desired culture (and reward strategy) of the organization; and an organizational culture in which incentives are supported by managers and employees. This discussion serves as a reminder that contextual factors are at least as important to success or failure of reward programs as the technical merits of the programs (Gerald et al, 2013).

Researcher Dahlqvist and Matsson (2013), investigate study has provided implications that extrinsic rewards are to some extent old-fashioned and employees are nowadays searching for rewards beyond solely monetary rewards. Employees are to a larger extent motivated by intrinsic

rewards. This study indicates that organizations should attempt to set the extrinsic rewards on an accepted level and then shift their attention to intrinsic rewards. Furthermore, this study has indicated that there are clear distinctions between department managers and their employee's perception concerning how motivating different rewards are perceived and how much of these rewards that are being offered. By offering employees more of the rewards that they prefer, will lead to a higher degree of motivation, which most likely will influence the organization performance.

Dow Scott and Tom McMullen (2010), discovered that base pay and benefits had the overall weakest relationship with the organization's ability to foster high levels of employee motivation compared to incentives, intangible rewards and quality of leadership on engagement. Quality of leadership had the strongest relationship with effectively motivating employees. As a result, compensation professionals should use pay packages to attract leaders who have demonstrated their ability to engage employees and think in terms of total rewards and not just financial rewards. Develop employee engagement resources that are directed toward work environment or organization climate, work-life balance and the nature of the job and quality of the work, and career opportunities.

According to Nazir, Khan, Shah and Zaman (2013), observe that reward is very vital factor that has big contribution towards enhancing the employee job satisfaction and commitment. Organizations are continuously improving their reward system for retaining and becoming more productive of employees.

Ali and Ahmed (2011), indicated that there is a statistically significant, direct and positive relationship between rewards (promotion, recognition, working conditions, benefits, the dimension of personal, leader/supervisor, general and work satisfaction and motivation). Hence, if rewards offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction.

Further, research by Hafiza, Shah and Jamsheed (2011) as cited in Belay (2013) indicate that there is significant and positive relationship between extrinsic rewards and employee motivation but organizations are not offering right amount of financial rewards (extrinsic rewards) to their employees. Pay is a significant factor which affects employee motivation. Added, study by Ali

and Mohammed (2012) as cited in Belay (2013) pointed out that there is positive impact of financial rewards on employee's motivation and satisfaction. That is, financial rewards lead to employee's motivation. It is also discovered that new entrants in to an industry are highly motivated and the working conditions, environment and superior's behavior plays a vital role in determination of their satisfaction level.

### **Relevant theory related with Reward practices and employee motivation**

According to Herzberg's two-factor theory, the dissatisfiers can only provide that the employees within the organization are not dissatisfied, and the satisfiers are therefore the factors that could increase employees' motivation. The dissatisfiers can for example be high salary or bonuses that employees are working in. These are factors that need to be fulfilled so that employees do not feel uncomfortable. However, these factors cannot generate satisfaction for the employee. The satisfiers on the other hand, which for example could be personal development, greater responsibility and the work tasks itself, can satisfy the employees. (Alvesson & Sveningsson, 2008).

Based on expectancy theory; the underlying motive behind the reward system is to motivate employees to perform at a higher level when attractive rewards are offered. (Jacobsen & Thorsvik, 2002). The core of the expectancy theory is relying on employees' willingness to perform a certain activity. This is depending on the extent to which a specific target is rewarded, which for example could be a higher salary or a promotion within the organization. If the employee within the organization perceive the reward as valuable, the performance will be greater. On the other hand, if the rewards are demotivating the employee, the performance will be poorer. The higher degree of an actual desire for the reward, will affect to which extent the employees are motivated to put down greater effort to perform (Alvesson & Sveningsson, 2008).

According to Equity theory focuses on people's perceptions of the fairness of their work outcomes compared with, or corresponding to, their work inputs (Armstrong, 2009). It postulates that employees are inclined to subjectively weight efforts given to do the job and rewards taken for doing this job and compare rates of the rewards with other people doing the same job. "An employee is the most satisfied in situations when the gives and takes are equal. If comparison

shows imbalance and unfairness (i.e. an employee thinks his or her co-worker has been paid more or less for the same job), the worker is inevitably brought to psychological tension”.

All the above studies have dealt with reward practices and their effects on employee work motivation and employee satisfaction. The studies found that rewards generally have positive impacts. However, the results vary when seen in terms of magnitude by which they affect employee performance and employee satisfaction and motivation. As the needs of human beings vary significantly, the extent by which their motivation affected by one reward type to the other varies significantly. Therefore based on the above discussed theories (Hertzberg’s two-factor theory, expectancy theory and Equity theory) and empirical studies the study has been derived and tested the following hypothesis.

H1: payment is correlated positively with work motivation

Ho: payment is not correlated positively with work motivation

H2: Benefit is correlated positively with work motivation.

Ho: Benefit is not correlated positively with work motivation.

H3: The promotional practices are correlated positively with work motivation

Ho: The promotional practices are not correlated positively with work motivation

H4: The recognition is correlated positively with work motivation

Ho: The recognition is no correlated positively with work motivation.

H5: work condition is correlated positively with work motivation

Ho: work condition is not correlated positively with work motivation

H6: Supervision or leadership is correlated positively with work motivation

Ho: Supervision or leadership is not correlated positively with work motivation

H7: Work content is correlated positively with work motivation

## 2.11. Conceptual Framework

After the study of literature review, the following conceptual model is formulated to show the effect of rewards (intrinsic and extrinsic rewards) on employee motivation.

In this study employee work motivation is considered a dependent variable and intrinsic and extrinsic rewards are taken as independent variables. The major variables are, intrinsic variable; work content and recognition, and within extrinsic variables are; Payment, Employee benefits, Promotion, Leadership/supervision and Work condition.

### Conceptual Framework

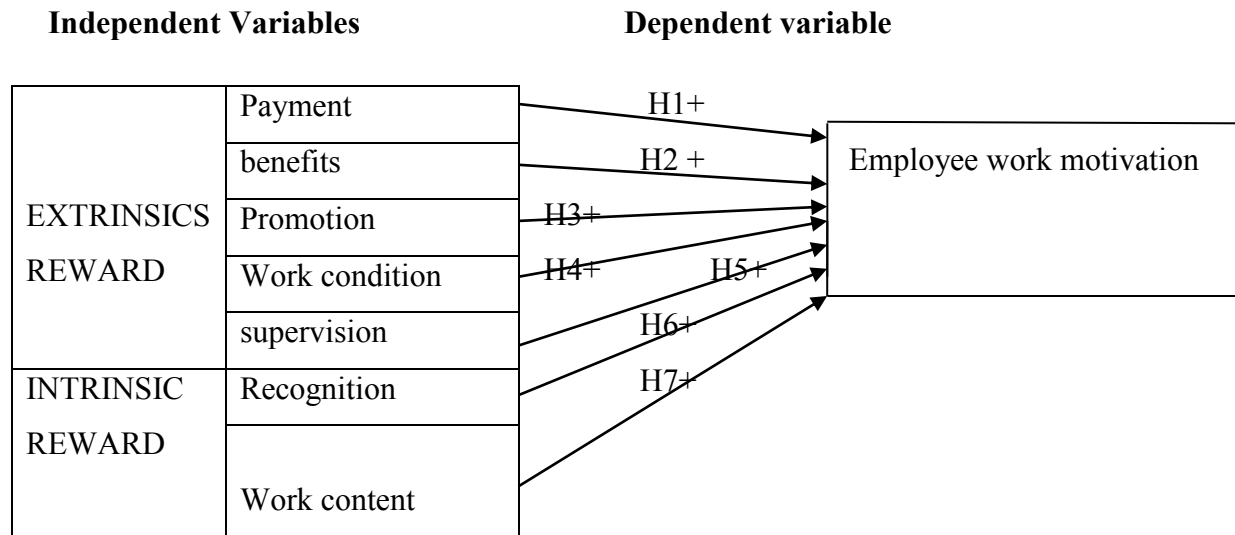


Figure 2.11 Conceptual Framework

Adapted from: De Beer (1987)

## CHAPTER THREE

### METHODOLOGY

This chapter presents the methodology that have been used to carry out this study it includes the research design, population studies and sampling strategy, the data collection process, the instruments used for gathering data, and how data been analyzed and presented.

#### 3.1. Description of the Study Area

Dashen bank S.C. head office is located in Addis Abeba around Bekilobet. It is selected for this specific study because it is one of the leading private financial institutions in the country. It has more than twenty years of experience in the industry and it is well recognized in the market. It has so many loyal customers and the bank has a history of introducing several technological advancements to the banking market like ATM (Automatic Teller Machine), WAN (Wide Area Network) currently introduced American express card (AMX) and the like. [/www.dashenbanksc.com/](http://www.dashenbanksc.com/).

Moreover, Dashen Bank S.C. has a reputation of attracting new employee and has numerous experienced employees as a result; it is workable to measure the employee's work motivation with regard to reward practices.

#### 3.2. Research Approach

The strategies and the method all contribute to a research approach that tends to be more quantitative, qualitative or mixed (Creswell, 2004).

Quantitative research involves studies that make use of statistical analyses to obtain their findings. Key features include formal and systematic measurement and the use of statistics (Marczyk, Dematteo & Frestinger, 2005).

Therefore, the study used quantitative research approach because it used structural questionnaire data collection method and statically data analysis techniques.

### **3.3. Research Design**

Research Design is a comprehensive plan for data collection in a research project. It is a “blueprint” for empirical research aimed at answering specific research questions or testing specific hypotheses (Tayie, 2005).

Additionally, the type of research design employed in this study is a non-experimental or quantitative design through survey study. A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. From sample results, the researcher generalizes or makes claims about the population (Creswell, (2004).

Since the purpose of explanatory research design is explaining and interpreting relationships between two or more aspects of a situation or phenomenon, it is used to explain and interpret the relationship between reward and motivation in the current study (Creswell, 2004). With this respect, the main target of the study was to investigate the effects of reward practices on employee motivation in Dashen Bank S.C. Therefore, correlation analysis was used to assess the relationship that exists between the variables, i.e. independent variables (payment, benefit, and promotion, recognition, working condition, supervision and work content) and dependent variable (employee motivation).

### **3.4. Population and Sample**

Population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. (Tayie, 2005). And sample is defined as a subset of the population that is taken to be a representative of the entire population (Tayie, 2005).

The total population was Dashen Bank S.C employees who were at the head office as well as at city and up country branches.

The target populations of the study have been those employees of Dashen Bank S.C, Who were working at the city branches and head office.

The study of the total population is not possible and it is also impracticable, due to the practical limitation of cost, time and other factors which are usually operative in the situation stand in the way of studying the total population (Singh ,2006).

As per the data from human resource department of Dashen Bank S.C., total number of employees in Addis Ababa city having more than one year experiences, clerical and being permanent and management level are 2511 (Dashen Bank, 2016).

### 3.5. Sample Size Determination

Ajaya and Micah (2014), described that sampling is related with the selection of a subset of individuals from within a population to estimate the characteristics of whole population. In addition to the purpose of the study and population size, three criteria usually were need to be specified to determine the appropriate sample size: the level of precision sometimes called sampling error, the level of confidence or risk of error, and the degree of variability in the attributes being measured (Miaoulis and Michener, 1976).

According to Singh and micah (2014), the degree of variability in the attributes being investigated, refers to the distribution of attributes in the population. The variables with more homogeneous population, the smaller the sample size required. Otherwise the more heterogeneous population, the larger the sample size required to obtain a given level of precision.

Ajaya and Micah (2014), designated that sampling error range is often expressed in percentage of 5% margin of error. However, as the study used five-point Likert Scale to measure a variable its sampling error is 3%.

According to Cochran's (1977) sample size formula based on assumption that above 95% should be return from sample.

$$n_0 = \frac{(t)^2 * (s)^2}{(d)^2}$$

Where t = value for selected alpha level of .025 in each tail = 1.96 (the alpha level of .05 indicates the level of risk the researcher is willing to take.)

Where  $s$  = estimate of standard deviation in the population = 1.25 (estimate of variance deviation for 5 point scale calculated by using 5 [inclusive range of scale] divided by 4 [number of standard deviations that include almost all (approximately 98%) of the possible values in the range]).

Where  $d$  = acceptable margin of error for mean being estimated = 0.15. (number of points on primary scale \* acceptable margin of error; points on primary scale = 5; acceptable margin of error = .03 [error researcher is willing to except]).

Where  $n_0$  = the assumption required sample size

$$n_0 = \frac{(t)^2 * (s)^2}{(d)^2} = \frac{(1.96)^2 * (1.25)^2}{(0.15)^2} \sim 267$$

Accordingly, for a population of 2511, the required sample size is 267. Since this sample size is above 5% of the population ( $2511 * .05 = 125$ ), the study applied Cochran's (1977) correction formula to calculate the final sample size. These calculations are as follows:

$$n = \frac{n_0}{1 + \frac{n_0}{\text{population}}} = \frac{267}{1 + \frac{267}{2511}} \sim 240$$

### **Sampling frame**

The total sample frame or population size was 2,511 employees and sample sizes have been 240. The study have been covered only clerical, professional and line management permanent employee those who have above one year experience in the Bank.

In Dashen Bank the Branch are divided into seven Branches, namely Sub-Branch, Grade I Branch, Grade II Branch, Grade III Branch, Grade IV Branch, Special Branch and Premium Branch. The study used the Branches and the Head office as a stratum. Then to estimate the number of samples for each stratum divided by the target population multiplied by sample size and from each stratum respondents have been selected random sampling method.

**Sample frame: Sample size=  $\frac{\text{number of staffs in each strata}}{\text{Total population}} \times 240$**

**Table 3.1: Sample Size of each stratum**

Type	Total Number of Staff	Sample Size
Head Office	1,113	106
Premium Branch	52	5
Special Branch	65	6
Grade IV Branch	202	19
Grade III Branch	306	29
Grade II Branch	375	36
Grade I Branch	323	31
Sub Branch	75	8
<b>Total</b>	<b>2,511</b>	<b>240</b>

Source: Dashen Bank, 2016

### 3.6. Sampling Design

It is selection method from elements of population in order to be precise and to draw reliable conclusion for population, Lagers and pureto (2014).

Probability sampling is the one in which each sample has the same probability of being chosen while, Stratified sampling is used when adequate representation from sub sample is desired for more precise information inside sub sample about the variables Lagers and pureto (2014).

Therefore study used probability sampling technique of stratified sampling, within each stratum employees are being selected using a sample random method.

Stratified sampling technique was used to select samples from the existing employees of the organization; this is because, the study focuses on different groups of respondents and each group of the respondents were required to have its own representative from the total sample size. Stratified sampling guarantee specific groups within a population are adequately represented in the sample.

Dashen Bank has Head office and Branches and the branches are divided into seven grades (sub branches, grade I, grade II, grade III, grade IV, special and premium branch). These branches and head office have some positions that are unique for the position and grades. Therefore not to leave out any group, the researcher uses the branches and head office as a stratum. Then from each stratum respondents were selected through random sampling method.

### **3.7. Data sources and Types**

The main sources of the data used were from both primary and secondary in order to determine the effect of reward practices on employee motivation, and meet the study objectives.

Primarily data was gathered using questionnaire from respondents and questionnaire incorporated with closed-ended questions. Before the actual administration of the questionnaire, it was pre-tested and modified/refined for reliability and validity issue.

The questions for the questionnaire were adopted from Schwab (1993) and according to Armstrong (2006) the level of employee motivation can be measured by using attitude survey, methods like structured questionnaire, interview or a combination of questionnaire and focus group.

Secondary data was collected using the Bank's human resources policy and procedures, annual reports, published and unpublished information about the study area, books and journals from library and internet.

### **3.8. Data Collection Procedures**

First, the study has been investigated the Human Resource Department of Dashen Bank S.C. where reward practices takes place. Second, data was collected from head office and selected branches staffs using questionnaire.

The questionnaire (likert scale type, since it is easier to generate statistical analysis on a larger number of participants using a 5 (five) points) has been adopted from Schwab (1993), and designed with reference of different literatures and reliability of the measurement was tested and taking into account from different standard employee motivation questionnaire and customized to

fit the current study. Due to the time and financial constraints discussed above, the study only concentrated on head office staffs and selected branches at Addis Ababa city. The specific subjects were only clerical staffs and line management who are permanent employee of the Bank and who have more than one year experience in the Dashen Bank. Meanwhile, non-clerical employees were not included because all non-clerical positions of the bank are out sourced.

### **3.9. Data Analysis**

To analyze the information and the data collected, quantitative type of descriptive analysis method was used to present the association between the variables. These variables can be use the form of dependent (effect) and independent (cause). The employee motivation was the effect factor and the reward practices of the Bank was the independent or cause variable. Mean and standard deviation was used to describe the data obtained from the independent variables (reward) and the dependent variable (employee motivation).

Data collected was analyzed using quantitative type of explanatory analysis method. Data is presented in the form of statements and tables. For quantitative data descriptive statistics was used to summarize data by using Statistical Package for the Social Sciences (SPSS) software version 20.0.

Statistics including mean, frequency and standard deviation, were used to analyze the data. Inferential statistics was also been used in order to allow the researcher to present the data obtained in the research in statistical format, to facilitate the identification of important patterns and to make data analysis more meaningful. The Information that was gained by the questionnaire was described. The finding of the study has been presented by using tables.

The finding was presented as follows first, demographic information about the participants in this study was reported; it included the frequency distribution of all demographic variables in this study such as gender, marital status ,age, education ,position, service year and salary ranges etc. Second, Cronbach’s alphas were calculated for testing the reliability of the scales used in this study for each variable. Third, descriptive statistics were calculated to get information about the means for each of the variables of interest. Fourth, to answer the research questions, correlation analysis and regression analysis were conducted. Through the correlation analysis, the researcher tried to give answer for the research questions. Correlation analysis was interpreted and the

variables were tested hypostasis through checking the direction and magnitude of each variable in terms of the Pearson coefficients of „r“ value.

$$Y = \theta + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7,$$

where  $\theta$  is constant,  $x_1$ =payment,  $x_2$ =benefit,  $x_3$ =promotion,  $x_4$ =recognition,  $x_5$ =working condition,  $x_6$ =supervision and  $x_7$ =work content.

Doing multiple regressions helped the researcher to further understand the relationship among variables. Regression analysis was used to measure the relative strength of independent variables on dependent variable.

In addition, ANOVA was applied to analyze whether there are differences in employee motivation based on the education, salary and position.

### **3.10. Instrument Validity and Reliability**

Validity concerns the degree to which a question measures what it was intended to measure. Its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of a given study (Marczyk, Dematteo & Frestinger, 2005).

To assure the validity of the study, the researcher discussed with the advisor and other management staffs about the questionnaires before it was distributed. It was also has been developed on the basis of previous studies and review of related literature and standard questions. In addition, the researcher has provided explanations concerning on the questions to the respondents before they give answer.

As per Khotari (2004), reliability refers to consistency, where internal consistency involves correlating the responses to each question in the questionnaire with those other questions in the questionnaire. The researcher has used Cronbach’s alpha to calculate the internal consistency of the instrument.

According to (Frankel and Wallen ,1996) Usually reliability coefficients should be at least „.70“ and the higher the better, Therefore below table overall reliability coefficients shows 0.87 was good.

*Table 3.2: Cronbach’s Alpha Reliability Analysis*

<b>Variables</b>	<b>Cronbach’s Alpha</b>	<b>Number of Items</b>
Payment	0.86	5
Benefit	0.89	5
Promotion	0.80	5
Working condition	0.91	5
Recognition	0.87	5
Supervision	0.85	4
Work content	0.88	5
Employee motivation	0.90	7
<b>Over all</b>	<b>0.872</b>	<b>41</b>

*Source: Own Survey, 2017*

### **3.11. Ethical Consideration**

The study was conducted by considering ethical responsibility. This includes providing information to the respondents about the purpose of the study and the use of the information as well and the principles are intended to protect research participants from harm (Marczyk, et al, 2005).

Information obtained was held in strict confidentiality by the researcher. Respondents’ anonymity was kept so that participants would feel free and safe to express their ideas. Issues regarding employee’ personal data, policies and strategies of the Bank and other highly classified information that need to be kept confidential were done same, and finally I am fully acknowledges the works all authors that I have been used for this study.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1. Introduction**

Under this chapter data gathered through survey is analyzed and interpreted. Accordingly, the section contains respondents' profiles, data presentation, data analysis and interpretation

As indicated in the preceding chapters, this research study attempted to examine the effect of reward practice on employee motivation in Dashen Bank. Under this chapter data gathered through survey is analyzed and interpreted. Moreover, Methodology part of this thesis explained, for 2,511 populations 240 sample size was taken and questionnaire was distributed to 255 employees to increase the margin of return. However, out of 255 questionnaires distributed, 241 usable questionnaires were collected and used for further analysis which makes the response rate of 94.5%. 9 of the questionnaires were not returned and 5 questionnaires were not usable because they were not filled properly. Statistical Package for Social Science (SPSS) version 20.0 was used to analysis data.

## 4.2 Respondents profile

In this section the respondents profile is presented. It includes gender, marital status, age group, highest qualification, work experience in the Bank, job category and salary ranges of employees.

Table 4.2 profile of Respondents

S.N	Variables	Type	Frequency	Percent	Cumulative %
1	Gender	Male	139	57.7	57.7
		Female	102	42.3	100
<b>Total</b>			<b>241</b>	<b>100</b>	
2	Marital Status	Single	86	35.7	35.7
		Married	150	62.2	97.9
		Divorced	5	2.1	100
<b>Total</b>			<b>241</b>	<b>100</b>	
3	Age Group	Below 25	18	7.5	7.5
		25-35	119	49.4	56.8
		35-45	97	40.2	97.1
		Above 45	7	2.9	100
<b>Total</b>			<b>241</b>	<b>100</b>	
4	Highest Qualification	College Diploma	42	17.4	17.4
		BA/BSC Degree	165	68.5	85.9
		MA/MSC Degree	34	14.1	100
<b>Total</b>			<b>241</b>	<b>100.0</b>	
5	Work Experience in DB	More than a year	13	5.4	5.4
		3-5 Years	95	39.4	44.8
		6-8 Years	93	38.6	83.4
		More than 9 Year	40	16.6	100
<b>Total</b>			<b>241</b>	<b>100</b>	
6	Job Category	Clerical	60	24.9	24.9
		Professional	132	54.8	79.7
		Line Management	49	20.3	100
<b>Total</b>			<b>241</b>	<b>100</b>	
7	Salary Ranges	2,000-4,000	32	13.3	13.3
		4,001-6,000	26	10.8	24.1
		6,001-10,000	128	53.1	77.2
		10,001-15,000	41	17	94.2
		15,001-25,000	14	5.8	100
<b>Total</b>			<b>241</b>	<b>100.0</b>	

Source: Own Survey Questionnaire, 2017

Referring the above table (Table 4.2) from a total of 241 respondents, 139 (57.7%) were male while 102 (42.3%) were female; this indicates that relatively well distributed the number of proportions between male and female employees in the sample.

We can also see that out of the total respondents that (56.9%) were young. As a result, it is possible to say that most of employees of the bank are young generation. so that, the Bank may acquire the best out of energetic employees.

With respect to the level of education, (17.4%) are College Diploma holders, respondents (68.5%) have BA/BSC Degree holders and (14.1%) have MA/MSc degree holders. Therefore, the majority of the respondents are educated to a level of BA/BSC degree. so that the Bank have relatively qualified employee.

The above table also depicts work experience that respondents have in the bank. (5.4%) have been working in the bank more than 1 year, (39.4%) are between three to five years, (38.6%) are between six to eight years, and (16.6%) are more than 9 years. Thus, majority of respondents have six to eight years' length of service. On the other hand a small percent of employees i.e. 5.4% more than 1 years length of service. Therefore the Bank have relatively experienced employees.

With regard to position classification job category of the respondents which were clerical, professional and line manager, (79.7%) were clerical and professional, this entails that majority of the respondents were professional and clerical employees.

Finally Under salary classification, the participants were classified in to six categories based on the salaries held at the time of study. As above table 4.1 illustrates that the majority, 53.1% (128) of participants were categorized under 6,001 – 10,000. The second higher categories were 10,001 – 15,000, which is 41 (17%). The third categories were classified as 2000 – 4000, which is 13.3% (32). The other categories were 4,001 – 6,000 which constitutes 26 (%10.8), finally salary categorized under 15,001 – 25,000 is constitute 14 (5.8%).

### 4.3 Perception of Respondents towards the Current Payment Practice of the Bank

This part of the paper describes the finding of the respondent's perception towards the current payments practice of the bank. Descriptive statistics is done in the form of frequency, mean and standard deviation for five dimensions and it is presented in the following table.

Table 4.3: Frequency, Mean and standard deviation for Measures of respondent's Perception of Payment Practice

I	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	My basic payment is reasonable with respect of my contribution.	60 (24.9)	129 (53.5)	21 (8.7)	29 (12)	2 (.8)	2.10	0.94
2	My salary is fair when compared with that of similar jobs in other companies	40 (16.6)	142 (58.9)	34 (14.1)	24 (10)	1 (.4)	2.19	0.84
3	My salary is enough to satisfy my needs	50 (20.7)	124 (51.5)	41 (17.0)	22 (9.1)	4(1.7)	2.20	0.92
4	The bank Salary increment or classification is managed fairly	51 (21.5)	118 (49)	39 (16.2)	22 (9.1)	11 (4.2)	2.20	0.90
5	Salary adjustment is made according to the current market	53 (22.2)	114 (47.3)	43 (17.8)	25 (10.2)	6 (2.5)	2.27	0.99
<b>Over all perception of employees towards the payment of bank</b>							2.20	0.76

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

Source: Own Survey Questionnaire, 2017

Referring the above table out of the total 78.4% believed they disagree with the reasonable basic payment of an individual towards their contribution for the Bank. 8.7% said they are neutral, the other only 12.8% said they agree. This implies that majority of respondents were not happy about the reasonable basic payment of an individual towards their contribution for the Bank.

When employees were asked about the fairness of salary as compared with that of similar jobs in other companies, they responded 75.5% disagreeing, 14.1% by being neutral, 10.4% by agreeing. To put it another way a considerable amount of the respondents are not agree with the fairness of salary as compared with that of similar jobs in other companies.

When employees were asked about the current salary enough to satisfy the needs, about 72.2% said they disagree, 17.0% said neutral, 10.8% said they agree. This implies that majority of the respondents doesn't satisfy their needs by the current salary of provided by the Bank.

With regard to the respondent's agreement with, the Bank fairness management of Salary increment or classification, 70.5% said they disagree, 16.2% said neutral, 13.3% said they agree. This implies that most of the respondents don't agree with the Bank fairness management of Salary increment or classification.

Similarly, when employees were asked about Salary adjustment is made according to the current market, 69.5% said they disagree, 17.8% said they are neutral, 12.7% responded by agree. This shows that most of respondents don't believe salary adjustment is made according of current market situation.

The total perception of employees towards the payment practice of the Bank shows a mean of 2.20, which brings about the majority of the respondents have don't agree with the payment practice of the bank.

#### 4.4 Reaction of Respondents towards the Benefits package in the Bank

Table 4.4: Frequency, Mean and Standard deviation of respondents for Benefit packages of Bank.

II	variables	Frequency					Mean	S.D
		1	2	3	4	5		
1	There are good benefit package	41 (17.0)	127 (52.7)	31 (12.9)	26 (10.8)	16 (6.6)	2.37	1.094
2	My medical scheme is satisfactory.	48 (19.9)	114 (47.3)	42 (17.4)	<b>27</b> (11.2)	10 (4.1)	2.32	1.067
3	The staff loan system is sufficient and fair.	54 (22.4)	122 (50.6)	32 (13.3)	32 (13.3)	1 (0.4)	2.19	1.094
4	Transportation benefit is fair with the current cost of transportation service..	35 (14.5)	136 (56.4)	35 (14.5)	31 (12.9)	4 (1.7)	2.31	0.99
5	The bank provides subsidiary benefits like housing allowance.	46 (19.1)	141 (58.5)	22 (9.1)	27 (11.2)	5 (2.1)	2.19	1.22
Over all perception of employees towards the benefits of the bank							<b>2.27</b>	<b>0.90</b>

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

Source: Own Survey, 2017

From the above table in general, the majority Reaction of Respondents the total mean for all dimensions under current benefit package shows a mean of 2.27, which indicate above average number of respondents' perception, is somewhat in disagreement or not satisfied.

In fact according to the Bank Human resource policy and procedure, 2016, there is 90% medical coverage and 100% in government hospital. However it doesn't have enough quantity & quality hospitals or clinic that have an agreement with private hospitals or clinic.

#### 4.5. Response of Respondents towards the Promotion practices of the Bank

Table 4.5 Frequency, Mean and Standard deviation for Measures of Promotion Expectation

III	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	There is opportunity for promotion exists.	59 (24.5)	117 (48.5)	28 (11.6)	24 (10)	13 (5.4)	2.23	1.09
2	Staffs has promoted in a fair and transparent manner.	52 (21.6)	120 (49.8)	34 (14.1)	22 (9.1)	13 (5.4)	2.27	1.06
3	The criteria for promotion are acceptable.	59 (24.5)	117 (48.5)	28 (11.6)	24 (10)	13 (5.4)	2.23	1.08
4	My job allows me for rapid promotion.	66 (27.4)	102 (42.3)	49 (18.0)	18 (7.5)	6 (2.5)	2.15	0.99
5	I'm satisfied with promotion system of the bank	80 (33.2)	100 (41.5)	17 (7.2)	25 (10.2)	19 (7.9)	2.17	1.20
<b>Over all perception of employees towards the promotion of Bank</b>							<b>2.21</b>	<b>0.90</b>

Source: Owen Survey, 2017

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

The overall mean for all dimensions under promotion practices shows a mean of 2.21, which shows above average number of respondents haven't got the promotion opportunity.

#### 4.6. Reply of respondents toward working conditions of the Bank

Table 4.6: Frequency, Mean and Standard deviation for Measures of Working condition

IV	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	The arrangement of office layout is convenient for me	32 (13.3)	108 (44.8)	64 (26.6)	29 (12.0)	12 (5)	2.39	0.97
2	I have good communication with my co-workers.	32 (10.5)	108 (44.8)	64 (26.6)	<b>29</b> (12)	8 (3.3)	2.47	0.98
3	My work has a strong pressure to rush with little time for break	57 (23.7)	123 (51)	36 (14.9)	20 (8.3)	5 (2.1)	2.21	0.97
4	I get the opportunity to discuss with a group of employee and work as a team	60 (24.9)	111 (46.1)	44 (18.3)	19 (7.9)	7 (2.9)	2.18	0.99
5	My working hours are reasonable and flexible	57 (23.7)	123 (51.0)	36 (14.9)	20 (8.3)	5 (2.1)	2.14	0.94
<b>Over all perception of employees towards the working condition of bank</b>							2.30	0.79

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

Source: Own Survey, 2017

In respect to whether the arrangement of office layout is convenient, More than 50% of the respondents replied by disagreeing, 26.6% said they are neutral and nearly 15.3% said they agree, This suggests that, the majority of respondents believes the arrangements of office layout is not convenient.

The overall mean dimensions under working condition shows a mean of 2.3, which shows above average number of respondents opinions replied, that the working environments of the Bank is not suitable.

#### 4.7. Perception of Respondents towards the Recognition

Table 4.7: Frequency ,Mean and Standard deviation for Measures of recognition

V	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	I am praised regularly for my good work	7 (2.9)	155 (64.3)	26 (10.8)	52 (21.6)	1 (0.4)	2.52	0.87
2	The nature of my job helped me to get tangible recognition for my performance	22 (11.6)	100 (41.5)	61 (25.3)	33 (13.7)	19 (7.9)	2.65	1.1
3	I get credit for what I do	22 (9.1)	98 (40.7)	66 (27.4)	38 (15.8)	17 (7.1)	2.71	1.06
4	I get constructive criticism about my work	49 (20.3)	111 (46.1)	29 (12.0)	40 (16.6)	12 (5)	2.40	1.13
5	I receive feedback on making progresses	63 (26.1)	102 (42.3)	39 (16.2)	30 (12.4)	7 (2.9)	2.24	1.04
<b>Over all perception of employees towards the Recognition of bank</b>							<b>2.5</b>	<b>0.90</b>

1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly Agree ,Source: Own Survey, 2017

Based on the above table, the total mean for all dimensions under recognition shows a mean of 2.5, which brings about the majority of the respondents have reservation towards the recognition practice of the bank.

#### 4.8. Reaction of Respondents towards the supervisor

Table 4.8 Frequency ,Mean and Standard deviation for quality of supervisor

VI	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	My supervisor support me in case of problems	28 (11.6)	100 (41.5)	60 (24.9)	34 (14.1)	19 (7.9)	2.65	1.1
2	My supervisor treat me equally with other staffs	20 (8.3)	102 (42.3)	63 (26.1)	41 (17)	15 (6.2)	2.71	1.04
3	I receive adequate guidance and support from my supervisor	25 (20.4)	136 (56)	29 (12)	40 (16.6)	11 (4.6)	2.49	1.03
4	My supervisor is cooperative	33 (13.7)	130 (53.9.4)	45 (18.7)	29 (12.0)	4 (1.7)	2.34	0.91
<b>Over all perception of employees towards supervision of Bank</b>							<b>2.54</b>	<b>0.87</b>

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

Referring the above table shows the overall dimensions of supervision or leadership quality shows by mean of 2.54, therefore it possible to say that most respondents said neither disagree nor agree.

#### 4.9. Reaction of Respondents towards the Work content

Table 4.9: Frequency, Mean and Standard deviation for Measures Work content

VII	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	I am interested in my work.	46 (19.1)	117 (48.5)	28 (11.6)	28 (11.6)	19 (7.9)	2.41	1.15
2	My work consists of varieties of tasks.	47 (19.5)	108 (44.8)	40 (16.6)	32 (13.3)	14 (5.8)	2.35	1.1
3	I do have flexibility on my work.	56 (23.2)	113 (46.9)	24 (10)	41 (17.0)	7 (2.9)	2.39	1.09
4	There is a sense of responsibility in my work.	40 (16.6)	121 (50.2)	45 (18.7)	28 (11.6)	7 (2.9)	2.34	0.98
5	My work has of great value in my Bank.	59 (24.5)	113 (46.9)	22 (9.1)	33 (13.7)	14 (5.8)	2.29	1.15
<b>Over all perception of employees towards the work content of bank</b>							<b>2.35</b>	<b>0.93</b>

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

Source: Own Survey, 2017

Referring the above table, When respondents asked about issue related with variety of work, flexibility on work, sense of responsibility and the value of work for the Bank ,above the average of respondents don't agree for mentioned issue(M=2.35), and therefore it is possible to say that all work content dimensioned mentioned above have an effect on employee motivation.

#### 4.10. Perception of Respondents towards the levels of employee Motivation

Table 4.10: Frequency, Mean and Standard deviation for Measures of employee motivation

VIII	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	I have opportunity to accomplish my objectives	55 (22.8)	128 (53.1)	22 (9.1)	31 (12.9)	2 (.8)	2.17	0.95
2	I have loyalty and belongings to my bank	38 (15.8)	138 (57.3)	32 (13.3)	31 (12.9)	2 (0.8)	2.26	0.9
3	The bank provides me with challenging and meaningful jobs	51 (21.2)	126 (52.3)	38 (8.3)	20 (8.3)	6 (2.5)	2.19	0.94

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4	I have encouragement to improve my performance and to develop my skills	31 (12.9)	119 (49.4)	65 (27.0)	19 (7.9)	8 (3.3)	2.40	0.92
5	The bank provides me with an opportunity of carrier development	24 (10.0)	116 (48.1)	65 (27.0)	30 (12.4)	6 (2.5)	2.49	0.91
6	I am committed to my responsibility of work	49 (20.3)	123 (51.0)	31 (12.9)	30 (12.4)	8 (3.3)	2.27	1.029
7	My accomplishments give me an important sense of self-respect	46 (19.1)	121 (50.2)	36 (14.9)	24 (10.0)	14 (5.8)	2.33	1.075
<b>Over all perception of employees towards levels employee motivation</b>							2.3	

Cronbach's Alpha=0.91

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

*Source: Own Survey Questionnaire, 2017*

When we see the reaction of the respondent's using the above table for existence the opportunity for accomplishment of objectives, 22.8% said strongly agree, 53.1% said they disagree, 9.1% said neutral, and conversely 12.9 said agree and .8% said they strongly agree. Therefore, it is possible to say that most of the respondents don't believe in getting opportunity for accomplishment of their objectives in the Bank.

In regard to loyalty and belongings to the Bank, commitment for responsibility, and accomplishments give sense of self-respect, above 50% of respondents don't agree by this mentioned issues by mean of 2.19,2.27 and 2.33 respectively , this shows that, the variables loyalty and belongings, commitment and work accomplishments have significant effect on level of employee motivation.

With respect of, challenging and meaningful jobs, respondents asked whether the Bank provided with challenging and meaningful jobs 21.2% of respondents replayed strongly disagree, 52.3% said disagree, 8.3% of respondents said neutral and almost 10.8% of respondent said agree. From this it is possible to suggest that above average respondents believes challenging and meaningful jobs have an effect on employee motivation.

When respondents asked about the Bank provides individual employees for an opportunity of carrier development,10% of respondents said strongly disagree,48.1% of respondents said

disagree, 27% of respondents said neutral, 12.4% of respondents said agree and 2.5% of respondents said strongly agree. Hence relatively most of respondents haven't get opportunity for carrier development.

Finally, respondents asked about whether they have encouragement to improve their performance and develop skills, 12.9% of respondents said strongly disagree, 49.4% of respondents said disagree, 27.0% of respondents said neutral, 7.9% respondents said agree and 3.3% respondents said strongly agree. This implies that, majority of respondents don't get encouragement to improve their performance and skills from the Bank.

The Overall mean for all dimensions under levels of employee motivation shows a mean of 2.3, which shows the level employee motivation of respondents as being below average.

#### 4.11. One Way ANOVA

Analysis of variance (abbreviated as ANOVA) is an extremely useful technique concerning researches. ANOVA is a statistical technique that is used to compare two or more groups to determine whether there are any mean differences among them. The comparison of group differences is made by computing a statistic called an F-ratio. The ratio is calculated by dividing the 'between treatment variance' by 'within treatment variance'. Using this technique, one can draw inferences about whether the samples have been drawn from populations having the same mean (Kothari, 2004).

Table 4.11: Mean response under ranges of salary on employee motivation

No	Salary range	Mean	N	
			Valid	Missing
1	2,000-4,000	2.133	32	0
2	4,001-6,000	2.40	26	0
3	6,001-10,000	2.31	128	0
4	10,001-15,000	2.40	41	0
5	15,001-25,000	2.08	14	0
Total			241	

Source: Own survey, 2017

Table 4.12, One way ANOVA computed for Salary range

The effects of salary range on employee motivation					
Item 1: One way Anova computed for salary range with employee motivation					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.263	4	.566	.920	.453
Within Groups	145.206	236	.615		
Total	147.46	240			

Source: Own survey, 2017

Table 4.12 is intended to demonstrate the significance level and relation that one of the respondents profile i.e. salary range have with the dependent variable, i.e., employee motivation. The significance level taken for all is 0.05 and p value above 0.05 demonstrates not statistically significant and vice versa. Accordingly, from above Anova table there is no statistically significant difference on the rating of the effect of reward practices on employee motivation among the different position salary range of the respondents (F=0.92, p=0.453).

Table 4.13 Mean response under work Experience on employee Motivation

No	Work Experience in DB	Mean	N	
			Valid	Missing
1	More than a year	2.47	13	0
2	3-5 years	2.35	95	0
3	6-8 years	2.27	93	0
4	More than 9 years	2.19	40	0
	Total	2.3	241	0

Source: Own survey, 2017

Table 4.14 One way ANOVA computed for Work experience

The effects of work experience on employee motivation					
Item 1: One way Anova computed for salary range with employee motivation					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.145	3	.382	.618	.604
Within Groups	146.32	237	.617		
Total	147.46	240			

Source: Own survey, 2017

Using the above table 4.14 which displays the significance level and relation that one of the respondents profile (work experience) have with the dependent variable (employee motivation ), from the above Anova table it is possible to said that, there is no statistically significant difference on the rating of the effect of reward practice on employee motivation among the different work experience of the respondents since  $p > 0.05$  ( $F = 0.618$ ,  $p = 0.604$ ).

Table 4.15 Mean response under Education on employee Motivation

No	Highest qualification	Mean	N	
			Valid	Missing
1	College Diploma	2.20	42	0
2	First Degree	2.33	165	0
3	Master Degree	2.23	34	0
	Total	2.30	241	

Source: Own survey, 2017

Table 4.16 One way ANOVA computed for Education

The effects of Highest Qualification on employee motivation					
Item 1: One way Anova computed for Education with employee motivation					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.757	2	.379	.614	.542
Within Groups	146.71	238	.616		
Total	147.46	240			

Source: Own survey, 2017

Likewise the above table shows the significance level and relation using the respondents profile (education) have with the dependent variable (employee motivation), thus the significance level taken for all is 0.05 and p value above 0.05 demonstrates not statistically significant and vice versa. As shown in the table, there is no statistically significant difference on the rating of the effect of reward practices on employee motivation among the different education of the respondents (F=0.614, p=0.542).

#### 4.12. Inferential Statistics

Analysis includes the correlation and regression analysis which was used to investigate the effect of rewards practices on employee motivation, and the relationship between rewards and motivation. Using Pearson correlation with two tailed test of significance, the correlation analysis was made to investigate the relationships.

#### 4.13. Correlation Analysis

Using The Pearson's Product Moment Correlation Coefficient (r) the degree of association between the independent variables (Payment, Promotion, Recognition, working condition ,supervision and work content) and the dependent variable (employee motivation) were computed to determine the strength, direction and statistical significance of the relationships as shown in table below.

Correlation analysis is useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 up 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 variable. If  $r = 0$  there is no relationship between the variable and if  $r = +1$  there is perfectly positive relationship between the variables. For values of  $r$  between  $+$  and  $0$  or between  $0$  and  $-1$ , different scholars have proposed different interpretation with slight difference. For this study diction rule given by Bartz (1999) was used to describe the strength of association among the variables as follows.

*Table 4.17: Interpretation of  $r$  value*

<b>Value of <math>r</math></b>	<b>Description</b>
0.80 or higher	Very High
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.20 or lower	Very Low

Source; Bartz (1999)

Depending on this assumption, all basic constructs were included into the correlation analysis. Figures with the symbol “\*\*” indicate that each of the variables are significantly correlated with each other at a significance level of  $p < 0.01$ .

Table 4.18. Pearson Correlation Analysis for independent and dependent variables

		Payment	Benefit	Promotion	Recognition	Working condition	Supervisor	Work content	motivation
Payment	Pearson Correlation	1	.054	-.097	-.021	.010	-.020	-.014	.408**
	Sig. (2-tailed)		.407	.134	.747	.875	.755	.831	.000
	N	241	241	241	241	241	241	241	241
Benefit	Pearson Correlation	.054	1	-.014	.467**	.066	.479**	.096	.195**
	Sig. (2-tailed)	.407		.823	.000	.311	.000	.139	.002
	N	241	241	241	241	241	241	241	241
Promotion	Pearson Correlation	-.097	-.014	1	-.046	.003	-.060	-.048	.221**
	Sig. (2-tailed)	.134	.823		.474	.969	.354	.457	.001
	N	241	241	241	241	241	241	241	241
Recognition	Pearson Correlation	-.021	.467**	-.046	1	.086	.984**	-.003	.302**
	Sig. (2-tailed)	.747	.000	.474		.185	.000	.967	.000
	N	241	241	241	241	241	241	241	241
Working condition	Pearson Correlation	.010	.066	.003	.086	1	.076	-.014	.085
	Sig. (2-tailed)	.875	.311	.969	.185		.242	.826	.188
	N	241	241	241	241	241	241	241	241
Supervisor	Pearson Correlation	-.020	.479**	-.060	.984**	.076	1	-.031	.291**
	Sig. (2-tailed)	.755	.000	.354	.000	.242		.632	.000
	N	241	241	241	241	241	241	241	241
Work content	Pearson Correlation	-.014	.096	-.048	-.003	-.014	-.031	1	.002
	Sig. (2-tailed)	.831	.139	.457	.967	.826	.632		.980
	N	241	241	241	241	241	241	241	241
motivation	Pearson Correlation	.408**	.195**	.221**	.302**	.085	.291**	.002	1
	Sig. (2-tailed)	.000	.002	.001	.000	.188	.000	.980	
	N	241	241	241	241	241	241	241	241

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

As can be seen in the table above, payment relatedness to work motivation of employees i.e. ( $r=0.408$ ,  $p<0.01$ ) there exist a positive moderate and statistically significant relationship in between. It can be also observed that, there exist a positive and statistically significant relationship between benefit and employee motivation ( $r=0.195$ ,  $p<0.01$ ), similarly there exist a positive and statistically significant relationship between promotion and employee motivation ( $r=0.22$ ,  $p<0.01$ ).

As shown in the table above, ( $r=0.302$ ,  $p<0.01$ ) there exist a positive moderate and statistically significant relationship between recognition and employee motivation and there also exist a positive and statistically significant relationship between supervisor and employee motivation ( $r=0.291$ ,  $p<0.01$ ).

Moreover it can be seen that, it can be observed that, statistically there is positive but not significant ( $r=0.085$ ,  $p<0.01$ ), there is relationship observed between working condition and employee work motivation. And Indicated above, work content and employee motivation ( $r=0.002$ ,  $p<0.01$ ) are statistically there is small positive and not significant.

Table: 4.19: Pearson Correlations Extrinsic and Intrinsic Reward and Motivation.

		Intrinsic rewards	Extrinsic rewards	motivation
Intrinsic rewards	Pearson Correlation	1	.426**	.212**
	Sig. (2-tailed)		.000	.001
	N	241	241	241
Extrinsic rewards	Pearson Correlation	.426**	1	.488**
	Sig. (2-tailed)	.000		.000
	N	241	241	241
motivation	Pearson Correlation	.212**	.488**	1
	Sig. (2-tailed)	.001	.000	
	N	241	241	241

\*\* . Correlation is significant at the 0.01 level (2-tailed). Source: Owen survey 217

From above table show that, there is moderate positive and significance between extrinsic reward and employee motivation at ( $r=.488$ ,  $p<0.01$ ) 99% level of significance. On other side there is also positive and significance relation between intrinsic reward and employee motivation a( $r=.212$ ,  $p<0.01$ ), but extrinsic rewards are highly correlated with motivation than intrinsic reward.

#### 4.14 Linearity Test

Multicollinearity is a problem that occurs with regression analysis when there is a high correlation of at least one independent variable with a combination of the other independent variables. As variables are highly correlated in a multiple regression analysis, it is difficult to identify the unique contribution of each variable in predicting the dependent variable because the highly correlated variables are predicting the same variance in the dependent variable. In this situation, the “overall” p-value may significant but the p-value for each predictor may not be significant. Multicollinearity exists when Tolerance is below .1; and VIF is greater than 10 or an average much greater than 1. Another statistic sometimes used for multicollinearity is the Variance Inflation Factor, which is just the reciprocal of the tolerance statistics. A VIF of greater than 5 is generally considered evidence of multicollinearity (Marczyk, Dematteo & Festinger, 2005).

Table. 4.20: Multicollinearity test

Variables	Collinearity Statistics	
	Tolerance	VIF
Payment	0.98	1.017
Benefit	0.75	1.33
Promotion	0.97	1.02
Recognition	0.032	32.5
Working condition	0.98	1.01
Supervision	0.031	33
Work content	0.95	1.05

Source: Own survey, 2017

Accordingly, there is no multicollinearity between payment, benefit, promotion, working condition and work content, since there tolerance is  $>0.1$  and  $VIF <5$ . However there is multicollinerity between recognition and supervision. So, there is a high correlation between them. This is it may be much of recognition given by supervisor.

#### 4.14. Regression Analysis

Regressions analysis helps in order to measure the relative strength of independent variables i.e. determine the effect of reward on employee motivation in Dashen Bank, as depicted in table below, the result revealed  $R^2$  value of .344, this indicates that 34.4% of variance that explained the employee motivation of Dashen Bank in terms of payment, benefit, promotion, working condition, recognition, supervision and work content.

Table 4. 21:Regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.586a	.344	.324	.64457

a. Predictors: (Constant), Work content, Recognition, Payment, Working condition, Promotion, Benefit, Supervisor

ANOVAa

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	50.663	7	7.238	17.420	.000 <sup>b</sup>
1 Residual	96.806	233	.415		
Total	147.469	240			

a. Dependent Variable: motivation

b. Predictors: (Constant), Supervisor, Payment, Work content, Working condition, Promotion, Benefit, Recognition

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.082	.275		-.300	.765
Payment	.449	.055	.439	8.210	.000
Benefit	.028	.058	.029	.478	.633
Promotion	.242	.047	.278	5.184	.000
Working condition	.051	.053	.051	.964	.336
Recognition	.315	.262	.365	1.204	.230
Supervisor	-.054	.273	-.060	-.197	.844
Work content	.015	.046	.018	.333	.740

a. Dependent Variable: employee motivation

Source: Owen survey 2017

Inherently, this is a measure of how good a prediction of the dependent variable we can make by knowing independent variables. This implies that 34.4% of the variance in the dependent variable (employee motivation) is explained by the independent variables (payment, benefits, promotion, recognition, working condition, supervision and work content) in the model. The model also indicates that, the remaining 65.6% of the variance can be explained by other variables.

The F-ratio describes whether the results of the regression model could have occurred by chance. Large F value and a small significance level (sig.) (typically smaller than 0.05 or 0.01) indicate that the results probably are not due to random chance. Accordingly, as can be seen from the table below the F value is 17.42 and is significant at 0.000. Hence, the researcher can suggest that, the regression model adopted in this study has not occurred by chance and is considered significant.

Moreover, above table shows that, with respect of other variables that are not included in this study but have an impact of dependent variable (employee motivation) are controlled and regarding from above table two of explanatory variables are statistically significant at 99% confidence level, consequently payment was found to be best predictors of employee motivation with Beta value of .439 followed by promotion which have Beta value of .278.

Table: 4.22. Linear Regression Analysis Results of Rewards and Motivation

Variables	R	R2	t-value	F-value	p-value
Payment	0.40	0.166	6.9	47.69	.000
Benefit	0.195	0.38	3.08	9.49	.002
Promotion	0.22	0.049	3.5	12.32	.001
Working condition	0.85	0.007	1.319	1.74	.188
Recognition	0.302	0.091	4.8	23.92	.000
Supervision	0.29	0.084	4.6	22	.000
Work content	0.002	00	0.25	.001	.98

Dependent Variable: employee motivation

Source: Owen survey 2017

#### 4.15. Testing Hypothesis

##### Payment and Employee Motivation

##### H1- Payment is correlated positively and significantly with employee motivation

Regarding the first hypothesis, the p-value less than 0.01 and the value of R2 is .166 which shows that 16.6% variance in employee motivation is due to Payment. F-value is 47.69 at  $p = 0.001$  showing that model is good fit. The t-value as shown in the table (6.9) should be greater than +2 thus making it a useful predictor and thus concludes that payment has significant relationship with employee motivation. Therefore, this hypothesis is accepted.

##### Hypothesis No. 2

H1: There is positive and significant relationship between benefit and employee motivation.

H0: There is no positive and significant relationship between benefit and employee motivation

Hypothesis number two is also accepted because the p-value is less than 0.01 and the value of R<sup>2</sup> is .38 which shows that 38% change in employee motivation is due to Benefits. F-value is 9.49 at p = 0.002 showing that the model is good fit. The t-value as shown in the table (3.082) should be greater than +2 thus making it a useful predictor and thus concludes Benefit has significant relationships with motivation. Therefore this hypothesis is accepted.

#### **Promotion and employee Motivation**

H1: There is positive and significant relationship between promotion and employee motivation.

H0: There is no positive and significant relationship between promotion and employee motivation.

Similarly, Hypothesis number three is accepted because the p-value is less than 0.01 and the value of R<sup>2</sup> is .049 which shows that 4.9% change in employee motivation is due to Promotion. F-value is 12.32 at p = 0.001 showing that the model is good fit. The t-value as shown in the table (3.5) should be greater than +2 thus making it a useful predictor and thus concludes promotion has significant relationships with motivation. Therefore this hypothesis is accepted. This indicates that, the higher employees get the chance to move up in the ladder of promotion, the higher is their work motivation.

#### **Working condition and employee Motivation**

H1: There is positive and significant relationship between working condition and employee motivation.

H0: There is no positive and significant relationship between working condition and employee motivation.

From the analysis table, it can be observed that, this hypothesis is rejected because it is not significant. Therefore null hypothesis is accepted

#### **Recognition and employee Motivation**

H1: There is positive and significant relationship between recognition and employee motivation.

H0: There is no positive and significant relationship between recognition and employee motivation

This Hypothesis is also accepted because the p-value is less than 0.01 and the value of R2 is .091 which shows that 9.1% change in employee motivation is due to Recognition. F-value is 23.91 at  $p = 0.000$  showing that the model is good fit. The t-value as shown in the table (4.6) should be greater than +2 thus making it a useful predictor and thus concludes recognition has significant relationships with motivation. This shows that employees are better motivated when their efforts are recognized by their leaders/supervisors and as well as the organization. Therefore this hypothesis is accepted.

#### **Supervision/leader and employee Motivation**

H1: There is positive and significant relationship between supervision/leader and employee motivation.

H0: There is no positive and significant relationship between supervision/leader and employee motivation.

Moreover, Hypothesis number six is also accepted because the p-value is less than 0.01 and the value of R2 is .084 which shows that 8.4% change in employee motivation is due to Leadership. F-value is 22 at  $p = 0.000$  showing that the model is good fit. The t-value as shown in the table (4.6) should be greater than +2 thus making it a useful predictor and thus concludes recognition has significant relationships with motivation. Therefore this hypothesis is accepted and this implies that good leadership or supervision leads to increase employee motivation.

#### **Work content and Employee Motivation**

H1: There is positive and significant relationship between work content and employee motivation.

H0: There is no positive and significant relationship between work content and employee motivation.

This hypothesis not significant, for this reason, fails to reject the null hypothesis.

This because may be currently relatively in this country context employees moves here and there in order to get high payment without respective of work content.

On other hand the rest of variable were significant at 95% ( $p < 0.01$ ) confidence level.

Table 4.23: Beta value for extrinsic and intrinsic reward

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.331	.265		1.250	.213
1 Extrinsic reward	.844	.101	.476	8.351	.000
Intrinsic reward	.003	.048	.003	.061	.951

a. Dependent Variable: motivation

The above table implies that, the extrinsic reward is best predictors of employee motivation with beta value of .476 with significance of 99% confidence level. On other side intrinsic rewards are have positive beta value but not significant at 99% confidence interval. This because may be currently relatively in this country context employees moves here and there in order to get high payment and benefit without respective of intrinsic rewards.

#### 4.16. Ranking Order

Table 4.24: The respondent choice for the most influential reward factors that affect motivation from 1<sup>st</sup> to 7<sup>th</sup>

I	Variables	Frequency							N
		1	2	3	4	5	6	7	
1	Payment	98 (40.6)	77 (32)	28 (12)	8 (3)	19 (7.8)	8 (3.3)	3 (1.2)	241
2	Benefits	60 (24.9)	94 (39)	27 (11.2)	21 (8.7)	21 (8.7)	10 (4.1)	8 (3.3)	241
3	Promotion	5 (2)	19 (7.8)	85 (35.2)	58 (24)	12 30	21 (8.7)	23 (9.5)	241
4	Recognitions	31 (12.8)	3 (1.2)	21 (8.7)	83 (34.4)	34 (14.1)	42 (7.4)	26 (10.7)	241
5	Working Condition	31 (12.8)	28 (11.6)	24 (9.9)	44 (18.25)	81 (33.6)	24 (9.9)	9 (3.5)	241
6	Supervision	2 (0.8)	9 (3.7)	34 (14.1)	15 (6.2)	37 (15.3)	52 (21.5)	92 (38.1)	241
7	Work Content	16 (6.6)	9 (3.7)	17 (7)	11 (4.5)	22 (9.)	89 (36.9)	77 (32)	241

1= 1<sup>st</sup> choice,2=2<sup>nd</sup> ,3= 3<sup>rd</sup> ,4=4<sup>th</sup> ,5=5<sup>th</sup> ,6=6<sup>th</sup> and 7=7<sup>th</sup> choices for employee motivation

Source: Own survey, 2017

From the above table ,it is possible to said that, out total of respondents(241) 40.6% of respondents choice rank no- 1 was Payment,39% of respondents choice benefit for 2nd place, about 35.2% of respondent choices promotion for 3rd place,34.4% of the respondents chosen recognition as 4the place, 33.6% of respondents have chosen for Working condition for 5th palce,36.9% of respondents have been chosen Work content as 6th place and finally 38.1% of respondents were chose Supervision as 7th place.

Therefore we can infer that, payment is the highest influential factor for employee motivation followed by Benefit, promotion, recognition, and working condition respectively, but according to respondents“ choice work content and Supervision have the least motivational factors respectively.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary

This part of the study aims to summarize the finding and results that have emerged from the data analysis presented in chapter four. The general objective of this study was to examine the effect of Reward practices on Employee Motivation in Dashen Bank S.C. From the study the following particular finding were observed:

1. The overall perception of respondents towards the reward practice of the bank in terms of the relatedness with payment dimension, like reasonable basic payment, fairness with compared with other, the bank salary classification and adjustment to market shows that the majority of the respondents (M=2.20) were not satisfied.
2. The overall perception of respondents towards the reward practice of the bank in terms of benefits package provided by the bank, most of respondents at mean of (M=2.27) were not happy. So that current reward practices wasn't enough.
3. The total mean for all dimensions under promotion practices, majority of respondents were not motivated which is below the average (2.21).
4. The two of reward practices dimensions, supervision and recognition most respondents have shown reservation by mean of (m=2.54 and m=2.5) respectively.
5. The rest of dimensions (work condition and work content) majority of respondents (m=2.3& m=2.35 respectively) were not satisfied.
6. The overall perception of respondents towards level of motivation, majority of respondent also was not motivated as mean is below average (M=2.3).
7. Outcomes from correlation analysis pointed out to know the relationship between reward variables and the motivational level of the respondents, a correlation coefficient was done by Pearson's Product Movement Correlation. Hence, almost all the independent variables Payment, ( $r=0.408$ ,  $p<0.01$ ), benefit( $r=0.195$ ,  $p<0.01$ ), promotion, ( $r=0.22$ ,  $p<0.01$ ), recognition, ( $r=0.302$ ,  $p<0.01$ ) and supervision ( $r=0.291$ ,  $p<0.01$ ) are positively and significantly related to employee motivation. Regarding the correlation of extrinsic rewards and intrinsic reward, there is moderate positive and significance between

extrinsic reward and employee motivation at ( $r=.488$ ,  $p<0.01$ ) 99% level of significance. On other side there is also positive and significance relation between intrinsic reward and employee motivation a( $r=.212$ ,  $p<0.01$ ).

8. Results from regression analysis indicates that .344 of variance that explained employee motivation of Dashen Bank employees are in terms of the independent variables i.e. payment, benefits, promotion, working condition. Supervision, recognition and work content.
9. Finally, regarding ranking order result according to respondent choice of the most influential factors of that affect motivation from 1<sup>st</sup> to 7<sup>th</sup> place, they chosen as payment is the highest and the first influential factor for employee motivation followed by Benefit, promotion, recognition, and working condition respectively, but according to respondents' choice work content and Supervision have the least motivational factors respectively.

## 5.2 Conclusion.

The finding showed the mean values for payment, benefit, promotion, working condition, and work content are the lowest. Therefore mean values indicating those areas where employees were most likely to be demotivated. It therefore appears that the overall analysis about perception of employees towards the current reward practice of the bank as being not enough to satisfy the motivation level of employees. This is similar as the study conducted by Tamene H/mariam (2015).

The independent variables (Payment, benefit, promotion, recognition and supervision) are positively and significantly related to employee motivation as this variable changes directly affect employee motivation.

There is also moderate positive and significance between extrinsic reward and employee motivation. On other side, there is positive relation with intrinsic reward but not significant. However this is different from as the study conducted by Dahlvist & Matsson, they conclude that extrinsic rewards are to some extent old-fashioned and employees are nowadays searching for rewards beyond solely monetary rewards, are to a larger extent motivated by intrinsic rewards.

Due to the fact that, according to (Spector, 1985) employee Motivation is different due to many factors like culture, countries economy status of society and others environment. However

nowadays in this country context this result it might be true because employees move here and there in order to get better salary and better benefits are as priority ,therefore they prefer extrinsic rewards first rather than intrinsic rewards.

According to regression model indicates that 34.4% of variance that explained the employee motivation of Dashen Bank in terms of reward practices dimensions (Independent variables). The model also indicates that, the remaining 65.6% of the variance can be explained by other variables.

According to respondent choices of ranking order, they chosen payment as 1<sup>st</sup> and benefit 2<sup>nd</sup>, this shows that payment and benefits are the most influential motivator factors and supervision is least motivator factors.

### **5.3. Recommendation**

Effective, fair and equitable reward administration should be put in place to help encourages, support and sustained improvement in work motivation that in turn contributes to the overall success of organizations. Therefore, other things remain as it is, organization that operates in a competitive market to make profits, it should place the right reward tools that can boost the motivational level of its employees.

If rewards offered are not competitive, it will be difficult to recruit staff since potential employees can obtain better rewards from competitors. Existing staff may also be tempted to leave the organization if they are aware that their reward system is uncompetitive. High staff turnover can lead to higher costs of recruitment and training of new staff. Losing existing employees may also mean that some of the organizations accumulated knowledge is lost forever and hence it leads to uneconomical cost.

As distinguished in the study, respondents have shown their area of interest that extrinsic rewards play a critical role in increasing their work motivation. Therefore, the management of the bank should keep these rewards practices more attractive to increase employee work motivation. Based on conclusion the following recommendations have been mentioned.

- ✓ The bank should pay competitive, reasonable and attractive payment in order to get and retain competent and motivated employee. Since from result payment is found to be best predictors and most contribution factors of employee motivation.

- ✓ DB should also give for its employee opportunity for promotion and it should be fair and transparent and acceptable criteria in order to get the best out of motivated employee. Since promotion is the second highly significant and predictors of employee motivation.
- ✓ When seen from the view of intrinsic rewards, since lower mean value is registered on general view of respondents towards dimension of work content , the bank should work on improving work content and the personal feelings of employees" towards their jobs. Related with this, creating of a loyal employee should also be given the right attention
- ✓ Optimum benefit package and quality supervision also enhancing employee work motivation should further be encouraged.
- ✓ In general, the effectiveness of reasonable payment & benefits, opportunity for promotion and recognition, convenient work place, relatively variety of work content & quality of supervision are directly affects employee motivation. Therefore, the proper implementation of all these aspects leads to high employee motivation because of without employee motivation, organization cannot achieve its objectives .as study investigated demotivated employee have no commitment, belongings, loyalty, responsibility and lack the value of work done.
- ✓ The study also recommends that future research may explore to find out other unaddressed variables, since motivation of employees affected by many factors other than reward.

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The bank procedures, manuals,reports and Bulletins

# APPENDICES



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

MASTER OF ARTS PROGRAM IN HUMANRESOURCE MANAGEMENT

**QUESTIONARY TO BE FILLED BY STAFFS OF DASHEN BANK S.**

Dear Respondents:

The objective of this questionnaire to collect data about “The effect of Reward practices on Employee Motivation in Dashen Bank S.C.” and the information that you provide me will be used as primary data in my study. The study is meant for academic purpose only and the information you supply will be kept confidential. I, therefore, kindly request you to fill the questionnaire honestly and accurately, so that quality of information you provide determines the ultimate reliability of the study.

I would like to express my sincere appreciation and deepest thanks in advance for sparing your precious time as well as frank and prompt responses in filling the questionnaire.

**Directions for filling the questionnaire**

There is no right and wrong answer of the options provided. Therefore, you are kindly requested to fill your real opinion regarding each question. Your response is utilized only for the purpose of this survey.

► Please put a “√” mark on your choice in the space provided

► No need of writing your name

**Part I: General Information**

This part of questionaries“ asks your personal and job related information.

<b>Gender</b>	Male		Female	
<b>Marital Status</b>	Single	Married	Divorced	Other

<b>Age category</b>	Below 25	25 - 35	35 - 45	Above 45
<b>Highest qualification</b>	College Diploma	First Degree	Master Degree	Other
<b>Years of experience in Dashen bank</b>	More than a year	3 – 5 years	6 - 8 years	More than 9 years

- Current Position \_\_\_\_\_
- Job category : clerical  professional  , line management

In which of the following salary ranges fall your salary?

- I, 2,000 – 4,000  II, 4,001 – 6,000
- III, 6,001 – 10,000  IV, 10,001 –15,000
- V, 15,001 – 25,000  VI, above 25,001

**Part Two: Research Related Questions**

The following questions are presented on a five point likert scale. If the item strongly matches with your response choose 5 (strongly agree), if you moderately agree on the idea choose 4 (agree), if you can’t decide on the point choose 3 (neutral), if you don’t agree with the idea choose 2 (disagree) and if you completely disagree with the point choose 1 (strongly disagree).

The purpose of this questionnaire is to give you a chance to tell how you feel about your present job, what things you are motivated with & what things you are not motivated with

Remember: keep the statement in mind when deciding how motivated you feel about the aspect of your job.

**Give a true picture of your feelings about your present job.**

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
I: Payment						
1	my basic payment is reasonable with respect of my contribution					
2	My salary is fair when compared with that of similar jobs in other companies.					
3	My salary is enough to satisfy my needs.					
4	Salary increment is managed fairly.					
5	Salary adjustment is made according to the current market.					

II, Benefits

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
6	There is a good benefit package.					
7	My medical scheme is satisfactory.					

8	The staff loan system is sufficient and fair.					
9	Transportation benefit is fair with the current cost of transportation service.					
10	The bank provides subsidiary benefits like housing allowance, restaurant and gym.					

Promotion

11	There is opportunity for promotion exists.					
12	Staffs has promoted in a fair and transparent manner.					
13	The criteria for promotion are acceptable					
14	My job allows me for rapid promotion					
15	I'm satisfied with promotion system of the bank					

Working Condition

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
16	The arrangement of office layout is convenient for me					
17	I have good communication with my co-workers					

18	My work has a strong pressure to rush with little time for break					
19	I get the opportunity to discuss with a group of employee and work as a team					
20	My working hours are reasonable and flexible.					
<b>Recognition</b>		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
21	I am praised regularly for my good work					
22	The nature of my job helped me to get tangible recognition for my performance					
23	I get credit for what I do					
24	I get constructive criticism about my work					
25	I receive feedback on making progresses					
<b>Leader/Supervisor</b>						
26	my supervisor Support me in case of problems					

27	My supervisor treat me equally with other staffs					
28	I receive adequate guidance and support from my supervisor					
29	My supervisor is cooperative					

**Work content**

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
31	I'm interested in my work					
32	My work consists of varieties of tasks					
33	I do have complete control on my work					
34	There is a sense of responsibility in my work					
35	My work has of great value in my Bank					

**Part III: level of employee motivation**

36	I have opportunity to accomplish my objectives					
37	I have loyalty and belongings to my bank					
38	The bank provides me with					

	challenging and meaningful jobs						
39	I have encouragement to improve my performance and to develop my skills						
40	The bank provides me with an opportunity of carrier development						
41	I am committed to my responsibility of work						
42	My accomplishments give me an important sense of self-respect						

### Part Three

Here below seven reward factors that affect your motivation are presented. Therefore, please give rank from No. 1 up to 7. No. "1" is the reward factor that affects your motivation very much while No. "7" the least affect your motivation

Items	Rank
Payment	
Benefit	
Promotion	
Recognition	
Working Condition	
Leadership and Supervision	
Work content	

THANK YOU FOR YOUR SOUND RESPONSE!!!