



**Addis Ababa University**

**College of Business and Economics**

**Department of Public Administration and**

**Development Management**

**A Comparative Study of the Impact of Intrinsic and Extrinsic Rewards on  
Employees Motivation between Public and Private Commercial Banks in  
Ethiopia**

**A Thesis Submitted to the School of Graduate Studies of Addis Ababa University in Partial  
Fulfillment of the Requirements for the Masters of Art in Public Management and Policy  
Specialization Area in Development Management.**

**By**

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*January, 2016  
Addis Ababa, Ethiopia*

## **Declaration**

**I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other university, and that all the sources of material used for the study have been dully acknowledged.**

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**Date** \_\_\_\_\_

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**Management**

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## List of Abbreviations

AIB	Awash International Bank
BOA	Bank of Abyssiniya
BIB	Bunna International Bank
BRIB	Berhan International Bank
CBB	Construction and Business Bank
CBE	Commercial Bank of Ethiopia
CBO	Cooperative Bank of Oromia
DB	Dashen Bank
DGB	Debub Global Bank
ERG	Existence, Relatedness and Growth
LIB	Lion International Bank
NIB	Nib International Bank
OIB	Oromia International Bank
SPSS	Statistical package for social sciences
TS	Trade Service
UB	United Bank
WB	Wegagen Bank

ZB

Zemen Bank

## ***Abstract***

*The purpose of this study is to compare the impacts of intrinsic and extrinsic rewards on employees' motivation between public and private commercial banks in Ethiopia. The target population of the study was the employees of the selected public and private commercial banks of Commercial Bank of Ethiopia (CBE), Awash International Bank (AIB), Cooperative Bank of Oromia (CBO) and Enat Bank. Hence, a mixed method of stratified purposive sampling was used, and 363 questionnaires were distributed to the employees of one public commercial bank and three private commercial banks, out of these questionnaires, 298 were filled properly. As a result, the overall response rate was 82 percent. The major findings of the study reveals that public commercial banks employees in Ethiopia motivated by intrinsic rewards more than the private commercial banks employees, while, private sector commercial banks employees in Ethiopia motivated by the extrinsic rewards more than the public sector commercial banks employees. Besides, the result suggests that with the acceptable  $P < 0.05$  significant levels, all the variables of intrinsic rewards are statistically significant. Finally, the researcher suggests that the public and private commercial banks human resource management and the concerned body(s) focus on both intrinsic and extrinsic reward elements to motivate employees better and to achieve the desired end(s).*

***Key words: Intrinsic reward, extrinsic reward and employee motivation.***

# **CHAPTER ONE**

## **1. Introduction**

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

The first bank to be established in Ethiopia was the bank of Abyssinia in 1905. It was owned and managed by the British owned national bank of Egypt. It was given a banking monopoly for fifty years, including the right to issue notes and coins. However, three other banks were established in the next decade. In 1931, the bank of Abyssinia was replaced by the bank of Ethiopia which was wholly owned by the government and members of the Ethiopian aristocracy, becoming the first 100% African owned bank on the continent: it was also authorized to issue notes and coins and act the government's bank. It operated only a few years, being closed after the Italian invasion. During the Italian occupation according to Harvey (1991), several Italian banks opened branches in Ethiopia. After the liberation in 1942, the state bank of Ethiopia was established. It became operational in 1943; with 43 employees and two branches and acted as the country's central bank. The bank also acted as the country's main commercial bank, while, a few much smaller foreign banks continued to operate. In 1963, a new banking law split the functions of the state bank of Ethiopia into central and commercial banking as the National bank of Ethiopia and Commercial Bank of Ethiopia respectively. Both were government owned.

The 1963 banking law allowed for other commercial banks to operate included foreign banks provided they were 51% owned by Ethiopians. The biggest of these was the Addis Ababa bank .It was 40% owned by Grindlays bank (British owned) and 26 branches by 1975. After the downfall of the imperial government, as far as ownership of financial institutions was concerned, this made little difference, since the remaining private commercial banks were relatively very small: they were nationalized and concentrated into the Commercial Bank of Ethiopia (CBE) .This Hanson (1995) suggested that the economic liberalization of the financial sector started in 1991, laid a foundation for the formation and expansion of private banks in Ethiopia. Currently, there are two state owned and 16 private commercial banks.

Malik Muhammad et al (2011) concluded that reward system is a very important tool that all banks can use to sustain employees motivation in different ways. In other words, banks give rewards to employees; and reward system seeks not only to attract new employees to join the bank but also to keep existing employees and also motivate them to perform at high level. Basically, all types of rewards motivate employees to perform well by attracting with well-designed compensation package by banks. Dewhurst et al (2010) described that there are other means to reward employees and they do not just focus on financial compensation (rewards). Some of these include the praised that employees are able to acquire from their managers, the opportunity to take an important projects or tasks and leadership attention.

However, Ekaterin Galanou et al (2011) found that these days, one of the manager's tasks is to create an environment which motivates employees to perform satisfactorily and to be a profitable asset, so that they can foster the organizations growth.

In a wider context, there is an increased emphasis on people as a key source of competitive advantage, often being regarded as the key differentiator between organizations; and many managers try to comprehend the complexities of motivating people at work and provide them with job satisfaction so that they can gain employee commitment. For those reasons, increased emphasis is given to financial and non- financial rewards by both managers and academia.

According to Mahaney and Lederer (2006) organizations offer intrinsic and extrinsic rewards to members for the purpose of improving human resources outcomes. Allen and Killman (2001) analyzed that the reward system should be aligned to motivate employee performance that is consistent with the firm's strategy, attract and retain people with the knowledge, skills and abilities required to realize the firm's strategic goal and create a supportive culture and structure.

Mottaz (1985), Mahaney and Lederer (2006) stated that reward practices of business are mostly analyzed under the classification of intrinsic and extrinsic rewards. Intrinsic rewards are those that exist in the job itself. Examples are achievement, variety, challenge, autonomy, responsibility and personal and professional growth. They also include status, recognition, and praise from superiors, co-workers personal satisfaction and feelings of self-esteem. Mahaney and Lederer (2006) also suggested that Employees are thought to be motivated to work hard to produce quality results when they have pride in their work, they believe their efforts are

important to the success of the team, and their jobs are fun, challenging and rewarding. On the other hand, Mottaz (1985), Mahaney and Lederer (2006) described that external rewards are external to the job itself. They comprise such elements as pay, fringe benefits, job security, promotions, private office space, the social climate, competitive services, pay raises, merit bonuses and such indirect forms of payment as compensatory time off. Balkin and Dolan (1997) concluded that the use of extrinsic rewards that are tightly linked to team performance may teach team members to become money hungry and undermine their intrinsic interest in the work itself. Dermer (1975), Kominis and Emanuel (2005), Kominis and Emanuel (2007), Kunz and Pfaff (2002) and Ronnen and Livingstone (1975) suggested that the contemporary reward strategy and practice is the one that gives due emphasis to both elements of the reward package instead of administering extrinsic components of reward in isolation. Consequently, currently both intrinsic and extrinsic rewards are complementary to each other.

Porter and Lawler (1968) advocated structuring of the work environment so that effective performance would lead to both intrinsic and extrinsic rewards, which would in turn produce total job satisfaction. This was to be accomplished by enlarging jobs to make them more interesting, and thus more intrinsically rewarding, and by making extrinsic rewards such as higher pay and promotions clearly contingent upon effective performance.

The data that has been collected from both public and private commercial banks reflects the employees' opinions towards the motivational factors of intrinsic and extrinsic rewards; this provides important information for both sector banks incentive planners. Therefore, the purpose of this study is to compare the impacts of intrinsic and extrinsic rewards on employees' motivation between public and private commercial banks in Ethiopia.

## **1.2 Problem statement**

According to Board (2007), incentives and rewards factors are the most favored factors for the employee's motivation. However, Lewis and Frank (2002) suggested that an elusive difference exists. Respondents who give importance to high income are more likely to private sector employment but, less likely to work for the public sector. Boxwall and Purcell (2003) found that reward systems, motivation and job satisfaction of employees helps to create unique and vibrant capabilities level to drive competitiveness for public and private organizations.

Board (2007), stated that tangible incentives are effective in increasing performance for work assignment that not completed before and encourage effectively thinking which assist both quality and quantity in achieving goals. La Belle (2005) suggested that different individuals have different perceptions of rewards for instance; some employees consider being recognized by their leader as more rewarding than financial incentives. Jahiruddin; Nur un Nabi and Hasan (2004) found that managers of private sector institutions are more motivated than those in the public sector in terms of motivational factors.

Wright (2001) argued that public workers have a reputation for being lazy and lethargic and manager's room for maneuver is ostensibly very little, due to rigid civil services laws. Behn (1995) stated that it is not surprising then that the question of how public managers can motivate their employees is considered one of the three "big questions of public management". Monetary rewards, pay based on performance or bonuses will be less influential on the motivation of public sector workers than private sector employees. Boyne (2002), indicated that people receive from their employer/organization are expected to vary differently between public and private sector organizations. Hansen et al (2003) suggested that public organizations are habitually perceived as offering lower salaries and fewer pay raises than the private sector.

Jurkiewicz et al (1998) found that public sector employees place a stable and secure future on the top, while, private sector employees put high salary on the top of the rank order in terms of motivational factors. Goulet and Frank (2002) suggested that there is a general consensus in the matter that difference between public and private employees exist. Studies on differences and similarities between the public and private sectors have received much attention from both practitioners and scholars in this field in the past, but they have shown mixed results. A lot of work has been done on evaluating the relationship between rewards and employees motivation and there exist a large number of studies in the literature describing the impact of intrinsic and extrinsic rewards on employees motivation, according to Rahman (2013), there is an observable difference between perception of employees on existing motivational factors of intrinsic and extrinsic rewards on public and private commercial banks, but, the result he obtained that is not conclusive and even inconsistent in various organizations. As a result many scholars suggested that many research is needed on the impact of intrinsic and extrinsic rewards on employees' motivation.

In order to increase employees motivation organizations must considered both intrinsic and extrinsic rewards. As a result, this study is important for the public and private commercial banks human resource management incentive planners in Ethiopia.

This study is addressed the following research questions.

- What is the impact of intrinsic and extrinsic reward variables on work motivation of public and private sector commercial banks employees in Ethiopia?
- Is there any similarities/differences between public and private sector commercial banks employees on motivational factors of intrinsic and extrinsic rewards?
- Which rewards (intrinsic or extrinsic) motivate the employees of public and private sector commercial banks better?

### **1.3 Objective of the study**

The major purpose of this study was to compare the impact of intrinsic and extrinsic rewards on employees' motivation between public and private commercial banks in Ethiopia.

#### **1.3.1 Specific objectives**

- To determine the impact of intrinsic and extrinsic reward variables on work motivation of employees in public and private commercial banks in Ethiopia.
- To compare the public and private commercial banks based on intrinsic and extrinsic rewards system.
- To identify which rewards (intrinsic or extrinsic) motivate the employees of public and private commercial banks more.

### **1.4 Hypothesis**

Rahman (2013) suggested that there is a difference observed between perception of employees on existing motivational factors on public and private commercial banks. Public commercial banks employees' value intrinsic rewards more than the private commercial banks counterpart, in contrast, private commercial bank employees value extrinsic rewards more than the public commercial bank employees. Besides, both intrinsic and extrinsic rewards have an impact on the motivational status of employees. Based on these facts the researcher proposed the following hypothesis.

**H0:** There is significant difference between employees' perception regarding intrinsic reward elements between public and private sector commercial banks in Ethiopia.

**H1:** There is no significant difference between employees' perception regarding intrinsic reward elements between public and private sector commercial banks in Ethiopia.

**H0:** There is significant difference between employees' perception regarding extrinsic reward elements between public and private sector commercial banks in Ethiopia.

**H1:** There is no significant difference between employees' perception regarding extrinsic reward elements between public and private sector commercial banks in Ethiopia.

**H0:** Intrinsic and extrinsic reward variables have significant impact on employees' motivation of public and private commercial banks in Ethiopia.

**H1:** Intrinsic and extrinsic reward variables have no significant impact on employees' motivation of public and private commercial banks in Ethiopia.

### **1.5 Definitions of terms**

**Reward systems-**Nathaniel et al (2010) defined as a structured method of evaluating and compensating employees based on their performance.

**Intrinsic rewards-**Nadi et al (2011) defined as intangible rewards or psychological like appreciation, meeting the new challenges, positive and caring attitude from employer and job rotation after attaining the goal. Frey (1997) argued that once pay exceeds a subsistence level, intrinsic factors are stronger motivators, and staff motivation requires intrinsic rewards such as satisfaction at doing a good job and a sense of doing something worthwhile.

**Extrinsic rewards-** Nadi et al (2011) also defined extrinsic rewards as tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary/pay, incentives, bonuses, promotions and job security.

**Employee's motivation**-according to Pinder (1998) employee motivation may be regarded as a set of internal and external forces that initiate work- related behavior, and determine its form, direction, intensity and duration.

### **1.6 Scope and Limitation of the Study**

This study is confined itself to selected public and private sector commercial banks of Ethiopia that is CBE, AIB, CBO and Enat Banks. Moreover, the study is conducted by analyzing the impact of intrinsic and extrinsic rewards on employees' motivation of managerial and professional employees only; this implies that since the study excluded those manual or custodial and semi-professional employees, the sample size is limited.

### **1.7 Significance of the study**

The study has given insight about the impacts of each dimension of extrinsic and intrinsic rewards between public and private sector commercial banks of Ethiopia employee's motivation. It would also help the stakeholders to understand the impact of intrinsic and extrinsic rewards on employee's motivation. Besides, the findings of the study were important for incentive planners of public and private commercial banks in improving the reward systems for better motivating employees.

This study is benefited the human resource management of public and private commercial banks in Ethiopia to improve the employees de-motivating factors at work. Finally, this study is served as a ground work for further studies to be carried out in this line.

### **1.8 Organization of the paper**

This study is organized into five chapters. Chapter one presented the introductory part which constituted background of the study, problem statement, objective(s) of the study, hypothesis, definition of terms, scope and limitations of the study, significance of the study, research framework, and organization of the paper. Chapter two deals with the detailed review of theoretical and empirical literatures about reward system and employee motivation. In the third chapter the researcher presented the methodology section including description of the study area, selection criteria of targeted banks, sampling and sample size, and source of data, data collection and data analysis procedure.

The third chapter of the paper deals with the presentation, analysis and interpretation of the data. The final chapter presented summary of major findings, conclusion and suggestion.

# CHAPTER TWO

## 2 Review of Related Literature

This chapter provides an insight about rewards and incentives, reward systems, purposes of reward system, types of reward system, definition of motivation and different theories of motivation which is important to the study of reward systems.

### 2.1 Rewards and incentives

Pitts (1995) stated that reward is the benefits that arise from performing a task, rendering a service or dis-charging a responsibility. Pitts (1995) also specified that pay is the most significant and motivating benefit that is received in return for performing a task or service .It is pay that motivates individuals to go out and seek work. Pay is also one of the few ways to set a mutually acceptance common value to the individual work contribution .Pay also can be a powerful de-motivator, if employees are not satisfied with the reward package, it will be hard for the company to recruit and retain good individuals.

Torrington et al (2009) emphasized that advocates of the expectancy theory believe that employees will change their behavior by working harder to prioritizing their actions if they know that by doing so they will be rewarded with something of value to them. Hence incentives are a great way to reward effort and behaviors which the organizations wish to encourage. If the incentive is paid in return for behavior that contribution to the organizations goals, it will in the long run enhance organizational effectiveness and productivity and hence generates a positive outcome for both employer and employee. Pitts (1995) underlined that the principle reward for performing work is pay, many employees however offer also reward packages of which wages and salaries are only a part of .The packages typically include: bonuses, pension schemes, health insurance, allocated cars, beneficial loans, subsidized meals, profit sharing, share options and much more.

Torrington (2009) recommended that there are various things to think about before making decisions about what kind of payment system is most appropriate for an organization.

Managers should start by asking what objectives they are seeking to achieve. These are likely to include the following.

- i. To minimize expenditure on wages and salaries over the long term.
- ii. To attract and retain staff of the desired caliber, experience and qualifications.
- iii. To motivate the workforce so as to maximize organizational performance.
- iv. To direct effort and enthusiasm in specific directions and to encourage particular types of employee behavior.
- v. To underpin and facilitate the management of organizational change.

Torrington et al (2009) showed that there is one payments system that can achieve all the above mentioned features for all employees in an organization. Managers are required to weigh up the advantages and disadvantages of each payment system and decide to put the emphasis on.

## **2.2 Reward Systems**

Throughout the management literature, practitioners as well as theorists have underlined the importance of reward system. Reward management is considered to be the most rapidly developing area of human resource management. In order to conceptualize the reward systems, it is necessary to commence from the Harvard model of human resource management, According to Sparrow and Hiltrop (1994) which emanate from the Harvard business school. This model is called “Soft Variant” because it emphasizes in the human aspect of human resource management. Beer et al (1984) suggested that the model comprises of four key policies: reward systems, designed to attract, retain and motivate employees. Human resource flow, akin to the human resource development set of policies employee improvement in decision making and work system designed in order to produce the best outcomes.

Therefore, it is obvious that reward systems are a fundamental function of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employees’ benefits and pensions and the management of reward procedures.

Moreover, Armstrong and Murlis (1998) deduced that reward policies should take in to account of organizational goals, values and strategies. Another important point that Armstrong and Murlis (1998) mention that reward systems also include the development of organizational cultures as they are led by organizational requirements and can increase the motivation and

commitment of employees us their philosophy must recognize the vital role of the workforce also respect their needs.

White and Drucker (2000) asserted that the reward systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as Merit-pay, market based pay, and profit rated pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth. Thorpe and Homan (2000) emphasized that one of the most fundamental debates in the field of reward management, concerns the extent to which employees are motivated by money. If the organization rewards certain kind of employee behavior, good or bad, that is the company will get more of. Every existing company has some form of reward system, whether it is outspoken or not, it exists People correspond positively to praise, and praise in the right moment creates loyalty and affinity.

Kaplan and Atkinson (1998) asserted that rewards come in two different types it can either be in the form of incentive motivation or personal growth motivation, the former kind of reward that comes from within the individual, a feeling, being proud over something, feeling content and happy by something that you have done. On the other hand, the latter is the type of reward that is brought to you by another person or an organization. Furthermore, extrinsic reward can be monetary or non-monetary. The monetary is usually a variable compensation, separated from the salary. It is received as a consequence for extraordinary performance or as an encouragement and it can be either individual based or group based.

According to Jaghult (2005) the conditions to obtain this reward should be set in advance and the performance needs to be measurable. Ax, et al (2005) suggested that there exists a variety of purposes of reward system; one very common is to motivate employees to perform better, but also for keeping the employees.

Merchant (2007) concluded that for a reward system to be ideally motivational the reward should satisfy a number of criteria: have values, be large enough to have impacts is understandable, be timely, the effect should be durable and finally the rewards should be cost efficient.

### **2.2.1 Purposes of Reward System**

Merchant (2007) and Svensson (2001) indicated that a reward system puts together employees' natural self-interests with the organization objectives and provides three types of management control benefits, that is, informational, motivational and personnel related. Firstly, rewards should catch the employees' attention and at the same time it works as a reminder for the person in charge of what results should be completed indifferent working areas. Organizations use reward systems to emphasize on which parameters their employees should exert the extra effort on by including them in their reward program.

Merchant (2007) assured that this is a good way to emphasize and convince the employees of which performance areas that are important and create goal congruence within the organization and signals how the employees should direct their efforts. To motivate is the second control benefit. People sometimes need an incentive to perform tasks well and work hard. The last but not least we have the personal related control benefit. Organizations give rewards for many different reasons example, to improve recruitment and retention by offering a compensation package that is competitive on the market.

Merchant (2007) showed that reward systems refer primarily to things that employed value. It is important to bear in mind that a reward system can contain both positive and negative rewards, the negative rewards, often seen as punishments usually manifest themselves through an absence of positive rewards. Examples of positive rewards would be autonomy, power, salary increases, bonuses and some negative rewards should be interference in job from superiors, zero salary increase and no promotion.

## **2.2.2 Types of Reward Systems**

### **1. Monetary Reward System**

Merchant (2007) stated that people value money and therefore making money an important form of reward. Monetary reward systems can be classified in to three main categories, performance based salary increases, short term incentive plans and long term incentive plans. The latter two rewards are common on managerial levels and are often linked to performance during a specific time period. Samuelsson (1999) identified that the first one is often considered to be the greatest motivational factor for all employees of the organizations. Merchant (2007) described that each and every organization gives salary increase to employees' at all organizational levels. This is normally a small portion of an employees' salary, but has a significant value due to long- term perspective. Short term incentives in some form are however commonly used in organizations. A cash bonus is usually based on performance measured on a time period of one year or less.

Why a company primarily uses a variable pay is to differentiate it among the employees, so that the most successful employees will be rewarded. By recognizing the employee's contributions to the company it makes it easier for the organization to encourage excellent performance. The employee's appreciate the possibility of receiving a reward for their performance. Using a variable pay can also be an advantage for the company in terms of risk sharing. This means that the expense for compensation varies more with company performance when the total compensation is partly variable, making the cost lowers when no profit is made and when there is a profit this can be shared with the employees. Merchant (2007) indicated that rewards based on performance measures overtime periods larger than one year are long-term incentive rewards. By using, a company can reward employees for their outstanding work performance to maximize the firm's long term value. This also works to attract and retain key talented persons.

According to Samuelsson (1999) types of these can be stock option programs, restricted stock plans or by a reward that is put in a 'bonus bank' that change according to result and runs over several years. Kaplan and Atkinson (1998) specified that a stock option program is usually when a person is allowed to buy stocks in the future, but for today's price .This is an attractive way of rewarding a manager because the manager would want the value of the stock to increase and thus work harder on the long- term goals and commitments instead of focusing on short- term profits.

Another advantage with this type of reward is, since the manager does not yet own the stock, he or she will still be taking risks with higher payoffs than they might had if they already owned them. There does, however, exist one great disadvantage with the stock option program, a manager does not have enough control over the value. Too many external and non-responsive factors influence the value, making it less appealing as an incentive.

A very popular type of long term incentive is some form of a restricted stock plan. This reward is shares given as a bonus to employee; however, they can only be sold after certain time period. After for instance one year, the employee will be able to sell one fifth of the shares, after two years he or she will be able to sell two-fifth and after three-fifths etc. This is a way to retain competence within the company, not to motivate employees, since if they choose to end their employment before the fifth year; they will lose the remaining parts. Some firms take this even further by withdrawing the shares you already received.

## **2. Non-Monetary Reward System**

Jaghult (2005) postulated that be given a thank you from your manager or to receive gratitude from your co-workers are both examples of non-monetary rewards. According to Armstrong (1993) monetary rewards are often accused of being too short-termed and not creating a long-term commitment which is normally what you want from your employees. To achieve long lasting motivation for the employees the organization must pay attention to both the financial and the non-financial motivators, in order to provide the best mix.

## **3. Individual Based Vs. Group Based Reward**

Zemke et al (1999) Suggested that for a group reward to provide a direct incentive effect, the employee to whom the rewards are promised has to believe that they can influence the performance on which the rewards are based on a significant extent. According to Merchant (2007) achieving something as part of a group usually strengthens the ties between co-workers .However, if someone has been part of the group usually strengthens the ties between co-workers. However, if someone has been part of the group without contributing the same way as the rest usually creates greater dissatisfaction among the rest and teaches employees that they get rewards without input.

In many projects and companies it is not possible to carry out a task by yourself but the task-completing-process is a process through the company, engaging many different people. In these cases a group-based reward is preferable since everyone has “Pulled their weight” although it is hard to see the individual impact. Individual-based rewards often lead to sub-optimization. Jaghult (2005) proposed that when introducing an individual-based reward system, employees tend to concentrate on their own performance instead of the company’s performance as a whole. As King Co-workers and managers for help is suddenly something you think twice about, as you might need to share a future reward if you do. This leads to tasks fulfilled with an okay result, instead of a better result that might had sprung from collaboration with co-workers more competent to tasks or parts of the tasks, hence sub-optimization.

However, an individual-based reward creates the greatest motivation and larger incentives for the individual. Jaghult (2005) identified that increasing the responsibility for an employee usually tends to also increase motivation. This is mainly due to increased responsibility makes the employee feel more appreciated and skillful when in a group, people learn from each other, creating more and more positive actions, and also gets more effective. Rewarding, a group using a monetary reward, often creates an intrinsic reward for a group members, as they feel satisfied belonging to a group that has performed something extraordinary. Samuelsson (1999) suggested that there is also a possibility to combine these two kinds of reward. Kaplan and Atkinson (1998) expressed that this can be done by basing the total reward on group performance and the individual shares of this reward on individual performance.

#### **4. The Total Reward System**

Armstrong and Brown (2006) identified that total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefit package. In the total reward system both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and the employee and include rewards such as pay, personal bonuses and other benefits. On the other hand, intangible rewards have to do with learning, development and work experiences. Example of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life.

The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments.

Armstrong and Brown (2006) also suggested that the purpose of total reward is to create a cluster where all the different reward process are connected, complementary and mutually reinforcing each other .In order to achieve internal consistency ,the total reward strategies are horizontally integrated with human resource activities and vertically integrated with business strategies.

The benefits of total reward system are described by Armstrong and Brown, 2006:

**I. Greater impact**

When different types of rewards are combined, they will have a deep and long lasting effect on the motivation, commitment and engagement of employees.

**II. Enhancing the employment relationship**

Total reward appeals more to employees due to the fact that it makes the maximum use of rational as well as transactional rewards.

**III. Enhancing cost effectiveness**

Because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages.

**IV. Flexibility to meet individual needs**

Due to the variety of rewards, the total reward is able to answer the individual needs of the employees and hence bind them more strongly to the organization.

**V. Winning the war for talent**

because rational reward processes are more difficult to replace than individual pay practices, the organization the ability to attract and retain talented employees by differentiating their recruitment process and hence becoming “a great place to work.”

## **2.3 Definition of Motivation**

According to Torrington et al (2009) motivation is the desire to achieve beyond expectations, being driven by internal rather than external factors, and to be involved in a continuous striving for improvement.

Beardwell and Claydon (2007) proposed that motivation, in the context of work, is a psychological process that results from the interaction between an employee and the work environment and it is characterized by a certain level of willingness. The employees are willing to increase their work effort in order to obtain a specific need or desire that they hold.

According to Armstrong (1991), motivation consists of three components:

**a) Direction**

What a person is trying to do

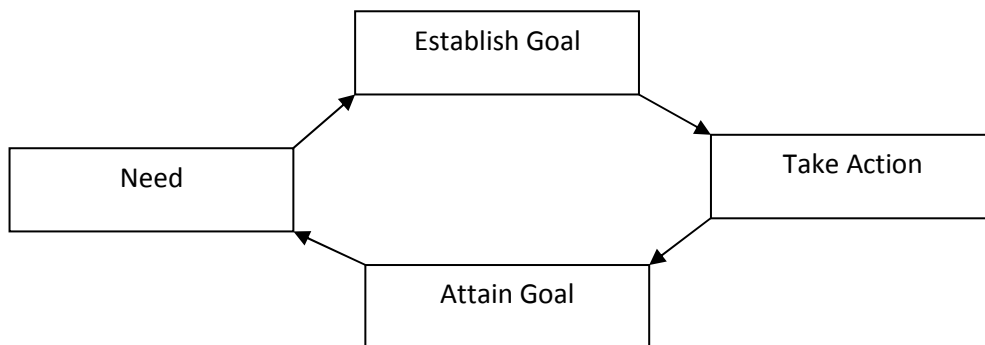
**b) Effort**

How hard a person is trying?

**c) Persistence**

How long a person keeps on trying?

Motivation theory tries to explain why people at work behave the way they do in terms of their efforts and strive for achievement. The process of motivation can be shown as follows;



**Source: Armstrong (1991)**

Armstrong (1993) suggested that in this model motivation is initiated by the conscious or unconscious recognition of unsatisfied needs. These needs create wants, which in turn become desire to achieve or obtain something. In order to satisfy the needs and wants, goals are created and a behavior selected in order to achieve these goals.

If the goal is achieved, the behavior is likely to be repeated when a similar need emerges. If the goal is not achieved, the same action is less likely to be repeated. Armstrong (1993) also indicated that managers can motivate employees through methods such as pay, promotion and praise. Employees can also motivate themselves by seeking work where individual goals, needs and wants will be achieved.

These two types of motivation are called intrinsic and extrinsic motivation and are more closely described as follows:

### **I. Intrinsic motivation**

Refers to the motivation that comes from inside an individual, the motivation is generated through satisfaction or pleasure that one gets in completing or even working on a task. Factors that influence on intrinsic motivation include responsibility, freedom to act, scope to use and develop skills and abilities, interesting work and opportunities for advancement. These motivators, which are concerned with the quality of work life, tend to have a long- term effect since they are inherent in individual and not imposed from outside.

### **II. Extrinsic motivation**

Defined as something that is done to or for people to motivate them. It arises from factors outside an individual, such as money, grades, criticism or punishments. These rewards provide satisfaction and pleasure that the task itself might not provide an extrinsically motivated person might work on a task even when they have little interest in it. This type of motivation usually has an immediate and powerful effect, however it does not tend to last for long.

## **2.4 Theories of motivation**

According to Lawler (1973) a theory of work motivation must account for the control and prediction of behavior .It must account for the phenomenon of voluntary behavior being initiated, that is, it should identify the energizers of voluntary work behavior. A theory of work motivation must explain how human behavior is directed or channeled.

The study of motivation has created two major theoretical bodies of knowledge applicable to the design of employee or channel partner motivation program: content theories and process theories .These theories have many applications for incentive program planners.

## **2.4.1 Content Theories of Motivation**

According to Beardwell and Claydon (2007) content motivation are based on the needs of individuals .This theories try to explain why the needs of individuals keep changing overtime and therefore focus on the specific factor that motivate them .In general, these theories explain motivation as the product of internal drives that encourage an individual to move towards the satisfaction of individual needs. Schermerhorn et al (1991) reasoned that content theories specify the correlates of motivated behavior that is states, feelings or attitudes associated with motivated behavior, and help to represent physiological or psychological deficiencies that an individual feels some compulsion to eliminate. Major content theories of motivation are the need hierarchy theory of Maslow, Alderfer's ERG theory of motivation and Herzberg's theory of motivation.

### **2.4.1.1 The Need Hierarchy Theory of Maslow**

As the most known theorist of motivation .Maslow postulates that people are motivated to satisfy needs and that these needs can be arranged in a hierarchy of importance. According to Maslow, people constantly desire better circumstances: they always want what they do not yet have. Maslow attempted to synthesize a large body of research related to human motivation. Prior to Maslow, researchers generally focused separately on such factors as biology, achievement, or power to explain what energizes, directs and sustains human behaviors.

Maslow hierarchy of needs is a theory of personality that identifies five basic needs categories:

#### **1. Physiological needs**

According to Beardwell and Claydon (2007) are basic human needs that are vital for survival. Examples of these needs are food, water, air and comfort .The organization provides a financial reward by paying a salary and this ways to satisfy employees' physiological needs.

#### **2. Safety needs**

A desire for security and stability, examples of these needs include desire for steady employment, health insurance and safe neighborhoods (Ibid).

### **3. Social needs**

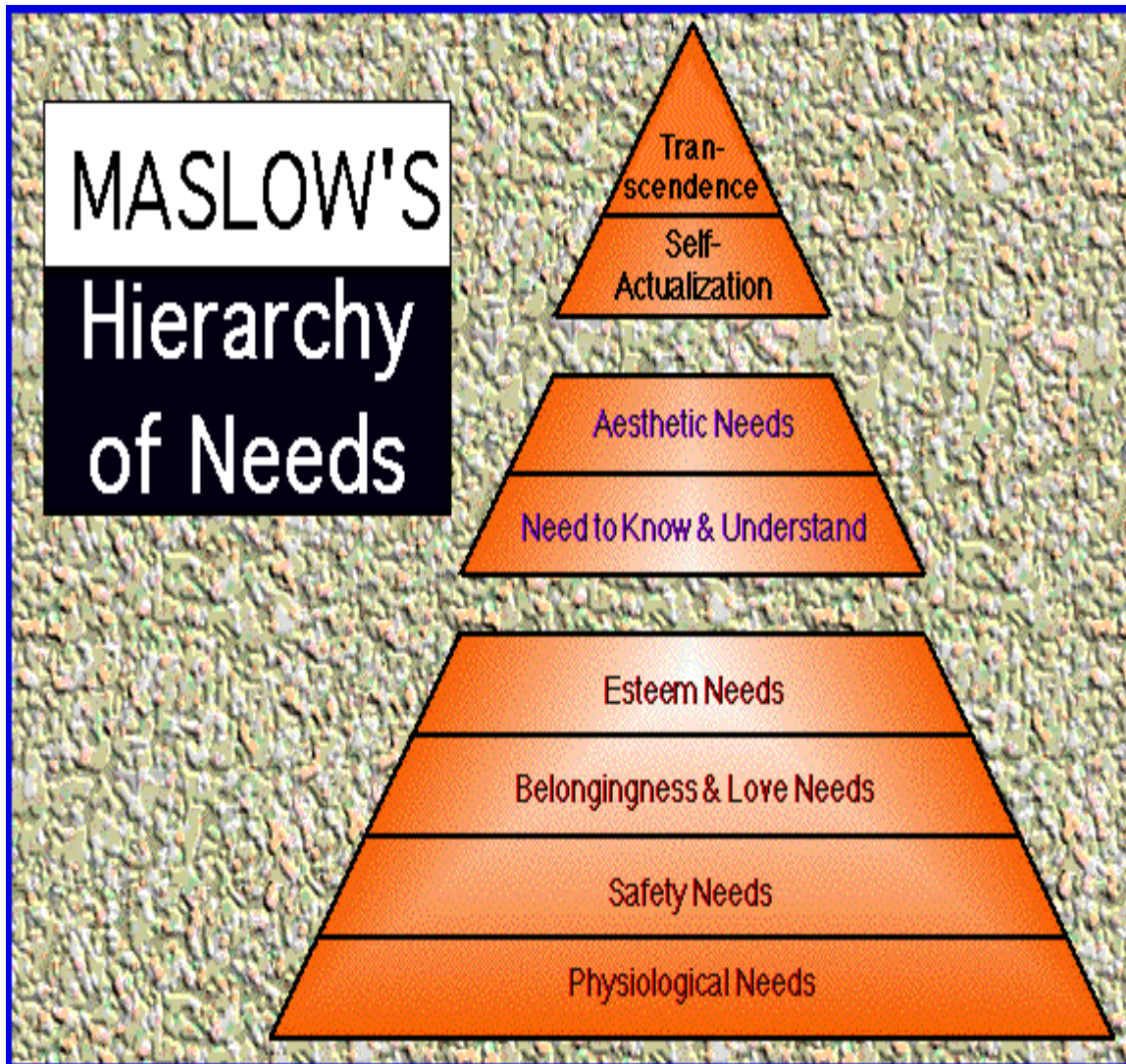
The desire for affiliation, they reflect the person's desire for love, affection and belonging. These needs can be fulfilled by the organization through parties, celebrations and sport teams. The managers can help to satisfy employees' social needs by showing direct care and concern for employees (Ibid).

### **4. Esteem needs**

Include the need for things that reflect on personal worth, self-respect and social recognition. Individuals need to attain a good reputation in a group or strive to increase their status in the eyes of others are driven by these needs. The organization can help to satisfy employees esteem needs by showing workers that their work is appreciated and recognized (Ibid).

### **5. Self-actualization needs**

Are the individuals' desire for self-fulfillment and the realization of doing what he or she has potential of doing? Assigning tasks that challenge employees' minds and encouraging their aptitude and training are example on how the organization can help fulfill self-actualization needs (Ibid).



**Source: Roshan (2005)**

Tosi et al (2007) concluded that 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 be-longing, esteem and self-actualization are not seen important until the lower -order needs which are safety and physiological needs are satisfied. Managers should find out what motivates the employees at each of the levels and develop a reward strategy accordingly.

Beardwell and Claydon (2007) indicated that Maslow's hierarchy of needs has been criticized because there is little evidence that support 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.

#### **2.4.1.2 Alderfers ERG Theory of Motivation**

Developed by Alderfer, the ERG theory closely related to Maslow's hierarchy of need. Alderfer (1972) hypothesizes that individual motivation in organizations can be understood in terms of existence (E), relatedness (R) and growth (G) needs.

##### **I. Existence needs**

Armstrong (1991) asserted that existence needs are roughly comparable to the physiological and safety needs of Maslow's theory. It is concerned with the requirement that people have for material and energy exchange and the need to reach and maintain a homeostatic equilibrium with regard to certain material substances. According to Schultz (1982) organizations can satisfy these needs through salary, fringe benefits, a safe working environment and some measure of job security. It related to tangible goals such as being able to buy food and pay for shelter.

##### **II. Relatedness**

Muchinsky (1987) advocated that people are not acknowledge that people are not self-contained units but must engage in transactions with their human environment. Armstrong (1991) concluded that it is concerned with the interactions and social contracts with other people, which satisfy the need for belonging, which satisfy the need for belonging acknowledgement. Acceptance, confirmation, understanding and influence are elements of the relatedness process. Schultz (1982) stated that employers can meet this need in the workplace through support, respect and recognition.

##### **III. Growth needs**

Schultz (1982) showed that focus on the self and include the need for personal growth and development. It is the counterpart to the esteem and self-actualization needs of Maslow.

This needs only be satisfied if people are given opportunities to use their capabilities to the full. In terms of this motivation theory, a job can provide satisfaction if it involves challenge, autonomy and creativity.

#### **2.4.1.3 Herzberg's two factor theory**

Armstrong (1991) showed that in terms of Herzberg's two factor theory of motivation, employees' needs can be divided into two groups: namely, satisfiers or motivators, because they are seen to be effective in motivating the individual to superior performance and effort. The other consists of dissatisfiers, which mainly describe the environment and serve primarily to prevent job dissatisfaction while having little effect on positive job attitudes. These are called hygiene factors, implying that they are preventive and environmental.

Robbins (1993) itemized that during his experiments, Herzberg found that certain characteristics tend to be consistently related to job satisfaction. Intrinsic factors: such as achievement, recognition, the work itself, responsibility, advancement and growth related to job satisfaction. When respondents questioned felt good about their work; they tended to attribute those factors to themselves. On the other hand, when they were dissatisfied, they tended to cite extrinsic factors such as company policy, administration and supervision. Herzberg deduced from the experiments that the opposite of satisfaction is not dissatisfaction, as was believed. He found that removing dissatisfying characteristics from a job does not necessarily make the job satisfying. He thus proposed a dual continuum, where the opposite of satisfaction would be no satisfaction and the opposite of dissatisfaction would be no dissatisfaction.

La Motta (1995) designated that Herzberg's two factor theory of motivation; organizations cannot begin to motivate employees until that which dissatisfies them has been removed. Hygiene factors such as salary, working conditions and supervision are not motivators even when they are being met. Other types of hygiene factors include, company policy, poor personal relations and job security.

The meeting of lower level needs of employees is not motivating, but can have a demotivating impact if not met. True motivation only kicks in when an employee's higher level needs are met. Schultz (1982) found that Herzberg's motivators are the factors that motivate employees to the highest level of performance.

These motivators are an integral part of the work itself and include factors such as the nature of the work, the person's sense of achievement, level of responsibility, personal development and growth, recognition for a job well done and feedback.

Nel et al (2001) emphasized that the relevance of Herzberg's theory to the discussion of reward and recognition is that a dissatisfied employee cannot be motivated. It is thus important that an organization first give attention to hygiene factors before introducing motivators into the workplace. Barling et al (1987) found that intrinsic to Herzberg's theory is the fact that only motivators cause true motivation since the hygiene factors are of short-term duration, they could never be truly associated with work motivation. Rather they would be involved in reducing negative factors in the work environment.

#### **2.4.2 Process Theories of Motivation**

Process theories of motivation try to explain how behavior change occurs and individuals act in different ways. In other words, they focus on how the worker's needs influence their own behavior. Process theories originate from early cognitive theories which state that behavior is the result of conscious decision making process. The most famous process theories are expectancy theory, reinforcement theory and goal setting theory.

##### **2.4.2.1 Expectancy theory**

Spector (2003) proposed that essentially, the theory explains how reward leads to behavior, through focusing on internal cognitive states that lead to motivation. In other words, people are motivated to action if they believe those behaviors will lead to the outcomes they want.

The said cognitive states are termed 'expectancy', 'valence', and instrumentality. Vroom (1964) posits that motivation (or force) is a mathematical function of three types of cognitions:

$$\text{Force} = \text{Expectancy} \times \sum (\text{Valences} \times \text{instrumentalities})$$

Where:

- i.** Force is the person's motivation to perform.
- ii.** Spector (2003) stated that expectancy is the perceived probability that a person

- iii. Has regarding his ability to perform the behavior required leading to a desired outcome. Example, working hard enough to secure a promotion (this aspect is similar to self-esteem or self-confidence in that it related to a person's belief that he/she can perform at the required level.
- iv. A valence is the value or the attractiveness of the outcome to the person.
- v. Instrumentality is the perceived probability that a given behavior will lead to the desired outcome.

Spector (2003) showed that there may be more than one outcome for each behavior. According to Vrooms formula, for each outcome a valence and instrumentality are multiplied, and each resulting product then summed ( $\Sigma$ ) and multiplied by the person's expectancy, to produce an overall force or motivation score. Hedebe (2001) points out that the multiplicative assumption implies that if any of the cognitive components equal zero, the overall motivation will be zero.

The expectancy theory has been criticized for its assumptions that people are calculating and rational in their decision –making, as suggested. Barton (2002) suggested that it has also been criticized for failing to take adequate account of people's cognitive limitations. Consequently, there has been mixed levels of support for the theory's usefulness in the work place. According to Hadebe (2001) the theory has limited use, and is more valid for prediction of behavior where effort-performance-reward linkages may be clearly perceived by the individual.

#### **2.4.2.2 Reinforcement theory**

Baron et al (2002) concluded that reinforcement theory, which assume that people's behavior is determined by its perceived positive or negative consequences, are based on 'law of effect' idea, which was first postulated by Thorndike (1911) and further developed by Woodworth (1918) and Hull (1943). Hulls drive theory elaborated on this idea and suggested that effort was the matimatical product of drive, multiplied by habit, and that habit was derived from behavior reinforcement.

Spector (2003) analyzed that the consequences of behavior may be tangible, such as money, or intangible such as praise. In this regard, reinforcement theory is highly influential in firmly establishing the ideas relating to incentive and reward system that are applied in most

organizations today. Schultz and Schultz (1998) emphasized that as such, it provided the basis for the notion that rewards should be contingent with individual units of productivity.

### **2.4.2.3 Goal Setting Theory**

The goal setting theory of Locke and Latham assumes that human behavior is governed by goals and ambitions, which lead to the assumption that an employee with higher goals will do better than an employee with lower goals. This theory states that there is a positive relationship between goal precision, difficulty and performance. Hence, if an employee's knows precisely what he or she is expected to do, that individual will do better than someone whose goals are vague. Beardwell and Claydon (2007) point out that adequate and timely feedback plays an essential role in the goal setting theory since it has the following effect on the employees:

1. Increase feelings of achievement.
2. Increase the sense of personal responsibility for the work.
3. Reduce uncertainty.
4. Refine performance.

Tosi (1994) posits that the goal setting theory has been criticized because it does not take into consideration two important factors, individual differences and goal complexity .Individual priorities and goals that differ in specificity and difficulty, as well as some personality differences, such as self-esteem, might affect goal acceptance and willingness to achieve goals.

## **2.5 Empirical Evidences**

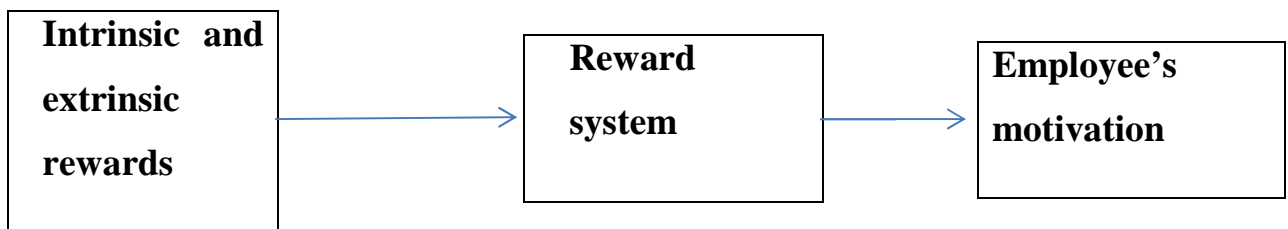
Extensive research has been conducted on the factors that affect motivation, job satisfaction and job performance. Wyatt's 2005 Survey of Canadian Strategic Rewards and pay practices found that employers are seeking to adopt reward strategies that provide a competitive advantage by attracting top talent and engaging employees in a way that drives business results.

The survey found that 77% of organizations have either adopted a total rewards strategy or plan to do so. While employers seem satisfied with their performance and reward efforts, the Western Wyatt Work Canada 2005/2006 study shows that only 24% of employees believe that excellent performance is rewarded at their company (Canadian employers, n.d.).

According to “people, performance and pay” study by the American productivity Centre, it generally takes 5% to 8% of an employee’s salary to change behavior if the reward is cash, but only 4% of the employee’s salary if the reward is non-cash. Thus the fewer dollars are money well spent. Stephenson (1995) motivation is more likely to occur when a reward is personalized and heartfelt.

## 2.6 Research framework

Based on the main objective of the study and the variables under consideration the researcher adopted the following conceptual framework by referring the relevant literatures.



**Source: Puwanenthiren (2011)**

## 2.7 Dimensions (variables) of the study

This study is considered nine intrinsic reward and eight extrinsic reward variables as independent variables and employee motivation as dependent variable. The variables were driven from known motivation theories of Herzberg two factor theory and Mahaney and Lederer (2006) study on the effect of intrinsic and extrinsic rewards for developers and system project success .According to Herzberg two factor theory of motivation, employees motivational factors can categorized into two group namely intrinsic factors (intrinsic rewards) such as challenge, authority, achievement, responsibility, job satisfaction, personal growth and development and extrinsic factors (extrinsic rewards) such as salary, job security, subordinate-superior (s) relationship and work environment. Besides, From Mahaney and Lederer (2006) study the researcher adopted three intrinsic reward variables such as participation in decision, freedom and independence in addition to this the researcher also adopted four extrinsic reward variables of fringe benefits ,promotion, recognition and training.

## **2.8 Conclusion**

It is obvious that reward systems are fundamental functions of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employee's benefits and pensions and the management of reward procedures. According to Ax, Christian et al (2005) there exists a variety of purposes of reward system: one very common is to motivate employees to perform better, but also for keeping the employees.

This chapter has explained that the incentive planners are paying a high attention to different types of reward system consisting of monetary reward system-making money as an important form of reward, non-monetary reward system-it gives long lasting motivation for the employees of the organization, and individual based Vs. Group based reward and the total reward system. Concomitantly, individuals can often be better motivated by intrinsic reward-by the satisfaction of doing a job well-than by extrinsic rewards (money).

Finally, even though, all theories of motivation is a paramount importance for incentive planners to motivate employees, the three major content theories of the need hierarchy of Maslow, Alderfers ERG theory and Herzberg's theory are the most important theories for this study.

## **CHAPTER THREE**

### **3 Methodology**

This study was conducted based on quantitative approach since descriptive statistical analysis techniques like frequencies; percentages and inferential statistical techniques of Manna – Whitney U test are used. The major purpose of the study was to investigate the impacts of intrinsic and extrinsic rewards on employee’s motivation between public and private commercial banks in Ethiopia. The results were interpreted against the conceptual framework pertaining to constructs around which the study revolved. Besides, the inferences made followed deductive reasoning approach, since the generalizations made stemmed from data extracted from a relatively medium sample size.

#### **3.1 Description of the study area**

Commercial bank of Ethiopia is the leading bank in Ethiopia established in 1942; pioneer to introduce modern banking in the country. CBE has more than 980 branches stretched across the country which combines a wide capital base with more than 22,000 talented and committed employees. ([www.com.banketh.et](http://www.com.banketh.et)).

Awash international bank S.C. was established after the downfall of the dergue regime and the introduction of market economic policy in 1991. As of February 28, 2015 the bank has total of 181 branches out of which 96 branches located in Addis Ababa while the remaining 85 branches are located in regional towns, the number of employees of AIB reached 2484. ([www.awashbank.com](http://www.awashbank.com)).

Cooperative bank of Oromia is full-fledged private commercial bank in Ethiopia. As of December 31, 2014, above 400,000 customers were served through its 130 branches spread throughout the country. ([www.cooporom.com](http://www.cooporom.com)).

Enat bank was initiated by a diverse group of 11 powerful Ethiopian women, and this tight team of founders has shepherded Enat from an idea to a reality women own 64 percent of the bank, and compose many major leadership positions from the senior bank management to the board of directors. ([www.enatbank.com](http://www.enatbank.com)).

### **3.2 Selection criteria of targeted banks**

Currently, two governments owned and sixteen private commercial banks operate in Ethiopia. Based on asset quality the national bank of Ethiopia classified all public and private sector commercial banks into three peers that is big sized (CBE), medium sized (AIB, DB, NIB, UB, BOA, WB and CBB) and small sized (OIB, CBO, LIB, BRIB, BIB, ZB, Abay Bank, Addis International Bank, Enat Bank and DGB). Therefore, by asset quality and total number of employees, Commercial Bank of Ethiopia is giant state owned bank (big sized). According to the NBE report the total number of employees of Commercial Bank of Ethiopia as of June 30, 2014 reached twenty thousand eighty three it possessed 86.43% of the total state owned bank employees. Among the 16 private commercial banks in Ethiopia, Awash international bank is the leading middle sized private sector commercial bank in terms of total number of employees and asset quality. The total number of employees of the bank currently reached four thousand eight hundred sixty eight .The other target bank was Cooperative bank of Oromia it is one of the small sized private commercial bank based on total number of employees and asset quality.

The total number of employees of CBO stretched to one thousand six hundred thirty six as of June 30, 2014. Finally, from newly joined and small sized banks Enat bank total number of employees and asset quality is the lowest.

Therefore, based on the above facts the researcher selected Commercial Bank of Ethiopia (CBE), Awash International Bank (AIB), Cooperative Bank of Oromia (CBO) and Enat Bank (EB) as a targeted bank. Since the reward system of public commercial banks (CBE and CBB) in Ethiopia is similar to avoid redundancy, the researcher excluded CBB employees from the study. Moreover, the researcher selected three private commercial banks of AIB, CBO and Enat Bank since the reward systems of peer group private commercial banks differ in order to represent peers the researcher selected one private commercial banks from each peer.

### **3.3 Sampling and sample size**

In order to get more trustworthy and representative data the researcher used CBE, giant state owned bank employees based on asset quality and total number of employees and from the private sector commercial banks the researcher selected AIB (middle sized), CBO (small sized) and Enat Bank (small sized) employees, based on asset quality and total number of employees as of June 30, 2014. The relevant population for this study is managerial and professional staff of targeted banks CBE, AIB, CBO and Enat Bank.

Since the population is heterogeneous and to select a small number of cases to study intensively within each strata based on purposive sampling techniques the researcher used a mixed methods sampling strategies of stratified purposive (quota sampling).

First, the researcher divided the whole population of the targeted public and private sector commercial banks employees into four non-overlapping strata (i.e. Managerial, professional, semi-professional and non-clerical/manual and custodial) then, the researcher only selected the first two strata. The first strata entails managerial staff and the second entails professional who works only in head offices and branches located at Addis Ababa. The researcher excluded the non-clerical/manual and custodial employees because the employees is not permanent in banks rather outsourced by other agencies, besides, the researcher also excluded semi- professional employees from the study because those employees who worked less than one year in the bank's the researcher believed that semi-professional employees have less knowledge about the reward systems of the organizations. Moreover, from 10 core process and 4 major districts of CBE, the researcher only selected one core process and one district which contain a large number of employees.

**Table 1: Stratification**

Bank	Place	Work categories		Total
		Managerial	Professional	
<b>CBE</b>	North-Addis district	181	1486	<b>1667</b>
	Trade service process	20	302	<b>322</b>
<b>AIB</b>	Head office or Addis Ababa branches.	131	700	<b>831</b>
<b>CBO</b>	Head office or Addis Ababa branches.	86	144	<b>230</b>
<b>Enat</b>	Head office or Addis Ababa branches.	18	63	<b>81</b>
	<b>Total</b>	<b>436</b>	<b>2,695</b>	<b>3,131</b>

Source: CBE, AIB, CBO and Enat bank June 30, 2014 human resources management process record.

**Table: 2 Sample size.**

Population size	Sample size		
	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1,200	32	80	125
1,201-3,200	50	125	200
3,201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-150,000	200	500	800

Source: .Carvalho( 1984)

Finally, based on table 1 and table 2 (considered medium size) the researcher determined the sample size of each stratum by using the following proportionate sampling formula.

$$nh = \frac{Nh}{N} * n$$

Where, 'nh' is sample size of the stratum, 'Nh' is the population size of the stratum, 'N' is the total population and 'n' is total sample size.

Therefore, the researcher was taken 23 managerial and 207 professional employees of CBE, 15 managerial and 81 professional employees of AIB, 10 managerial and 17 professional employees of CBO and 2 managerial and 8 professional employees of Enat bank employees by using simple random sampling technique.

### **3.4 Sources of data**

Both primary and secondary data sources used, the primary data sources includes questionnaires and the secondary data sources consist of books, different published and unpublished journals, research papers and internet.

### **3.5 Data collection procedure**

Since this study follows a quantitative approach, questionnaires were adopted from different study of intrinsic and extrinsic rewards to collect information. This method is aims to determine the impacts of intrinsic and extrinsic rewards on employees' motivation in both public and private commercial banks in Ethiopia.

### **3.6 Data analysis procedure**

SPSS ver. 20 software used to analyze the data. After collected the data, it entered in this software and the outputs were analyzed based on descriptive statistics. Moreover, since the likert scale data is an ordinal data the non-parametric test of Manna –Whitney U test was used to test the impacts of each intrinsic and extrinsic reward variables on public and private commercial banks employees' motivation.

## **CHAPTER FOUR**

### **4 Data Presentation, Analysis and Interpretation**

In this chapter, the collected data through questionnaires is presented, analyzed and interpreted. 363 questionnaires were distributed to the employees of one public commercial bank and three private commercial banks, out of these questionnaires, 298 were filled properly. As a result, the overall response rate was 82 percent. The questionnaires were distributed and collected within one month (from December 01, 2015 to December 31, 2015).

First, the researcher presented the demographic distribution of the respondents; second, the researcher tests the reliability of the items through Cronbach's alpha reliability analysis based on SPSS ver. 20, descriptive statistics under consideration of the variables presented and comparative analysis between public and private commercial banks conducted, and finally, the U Manna –Whitney test used in order to test the impact(s) of each intrinsic and extrinsic rewards variables on employees motivation in both sector commercial banks.

#### **4.1 Demographic profiles of the respondents**

Below, the demographic profiles of the participants are analyzed based on the variables sex, age, level of education, job categories/classification and service year.

**Table 3: Demographic distribution of respondents**

<b>Variables</b>	<b>Choices</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	187	62.75
	Female	111	37.25
	<b>Total</b>	<b>298</b>	<b>100</b>
<b>Age</b>	Under 20 years	0	0
	21-30 years	215	72.15
	31-40 years	79	26.51
	41-50 years	4	1.34
	Above 50 years	0	0
	<b>Total</b>	<b>298</b>	<b>100</b>
<b>Level of Education</b>	Under 10	0	0
	10 completed	0	0
	12 completed	0	0
	Diploma	17	5.7
	Degree	270	90.61
	M.A/M.SC.	11	3.69
	Phd.	0	0
	<b>Total</b>	<b>298</b>	<b>100</b>
<b>Job Categories</b>	Customer Service Officer	232	77.85
	Customer Service Manager	28	9.40
	Branch Manager/TS manager	12	4.03
	Trade Service Officer/expert	26	8.72
	<b>Total</b>	<b>298</b>	<b>100</b>
<b>Service year</b>	Less than 1 year	0	0
	1-5 year	157	52.68
	6-10 year	120	40.27
	11-15 year	19	6.38
	16-20 year	2	0.67
	Above 21 year	0	0
	<b>Total</b>	<b>298</b>	<b>100</b>

Source: Questionnaires, 2015.

As depicts in table 3 about 62.75 %( 187) respondents are male and the rest 37.25 %( 111) respondents are female, based on this fact, male participants by far the majority (187) when compared with female participants.

The other demographic variable to be considered in this study is age, in table 3 above 72.15%(215) respondents aged between 21-30 years, this clearly showed most of the respondents were young ,consequently, it is vital for the bank incentive planners to design appropriate reward strategy in order to retain this young labor force to achieve organizational objectives. Respondents aged between 31-40 is 26.51%(79), 1.34%(4) respondents aged between 41-50 and none of the respondents were aged under 20 years and above 50 years, on the basis of educational qualification, majority of the respondents 90.61 %( 270) were degree holders. This implies that most of the respondents are educated and have a good insight about reward systems, the rest 5.7 %( 17) and 3.69 %( 11) respondents were diploma and M.A/M.SC holders respectively. No respondents were a PhD. Holder but, the minimum educational attainments of the respondents were Diploma.

Table 3 also reveals that customer service officer dominate the sample with 77.85%(232) respondents, Showing that nearly, in targeted private and public commercial banks organizational structure the majority of the workers fall in this job position, whereas 9.4%(28), 8.72%(26) and 4.03%(12) respondents have a position Customer Service Manager, Trade Service Officer or experts and Branch Manager or Trade Service Manager respectively. Finally, in table 3 the length of service year of the respondents reveals that almost half of the respondents that is 52.68%(157) they have been working in the bank between 1-5 years, 40.27%(120) respondents they have been working between 6-10 years, from the total respondents 6.38%(19) of them they have been working between 11-15 years and 0.67%(2) respondents they have been working between 16-20 years, none of the respondents working less than 1 year and above 20 years in the organization.

## 4.2 Reliability Analysis

The reliability of the questionnaires is tested by Cranach's alpha measurement in SPSS. The result was summarized as follows.

**Table 4: Reliability Statistics**

Type of Questionnaires	Banks	Cranach's Alpha	Number of items
Intrinsic reward	Public	0.887	20
Intrinsic reward	Private	0.869	20
Extrinsic reward	Public	0.84	19
Extrinsic reward	Private	0.908	19

**Source: SPSS ver.20 Cronbach alpha reliability analysis.**

As indicated in table 4 the reliability of intrinsic reward type of questionnaires on public bank employees is 0.887 and 0.869 on private bank employees, concomitantly, the reliability of extrinsic reward type of questionnaires is 0.84 and 0.908 on public and private bank employees respectively. Since a rule of thumb suggested that the Cranach's alpha value exceeds 0.80 the items shows good reliability and a strong internal consistency.

### 4.3 Descriptive Statistics Analysis

**Table: 5 Perceptions of public bank employees towards intrinsic reward elements.**

Statements		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
<b>My job is challenging</b>	Frequency	12	24	30	80	38	184
	%	6.5	13	16.3	43.5	20.7	100
<b>My job grow &amp; develop my abilities</b>	Frequency	14	32	36	74	28	184
	%	7.6	17.4	19.6	40.2	15.2	100
<b>I have enough authority in my job.</b>	Frequency	12	33	37	67	35	184
	%	6.6	17.9	20.1	36.4	19	100
<b>I am truly satisfied with my present job</b>	Frequency	15	27	39	62	41	184
	%	8.2	14.7	21.2	33.7	22.2	100
<b>I participate in decision making</b>	Frequency	13	25	39	73	34	184
	%	7.1	13.5	21.2	39.7	18.5	100
<b>I am independent of others.</b>	Frequency	7	34	32	78	33	184
	%	3.8	18.5	17.4	42.4	17.9	100
<b>I am responsible for my job</b>	Frequency	10	24	34	73	43	184
	%	5.4	13	18.5	39.7	23.4	100
<b>My work is important for organizational goal</b>	Frequency	13	25	35	68	43	184
	%	7.1	13.6	19	37	23.4	100
<b>I am allowed sufficient freedom</b>	Frequency	15	13	35	78	43	184
	%	8.2	7.1	19	42.4	23.4	100

Sources: Questionnaires, 2015

Tables 5 summarize the frequencies and percentages of public bank employees' opinions towards motivational factors of intrinsic reward variables measured on 5 point likert scale from strongly agree to strongly disagree.

The data reveals that significant portion of the respondents that is 118(64.2%) strongly agreed and agreed to the statement “the job is challenging”, about 30(16.3%) respondents were neutral opinions to this statement and the rest 36(19.5%) respondents were strongly disagreed and disagreed with the statement the “the job is challenging”. Regarding personal growth and development dimension, 102(55.4%) respondents strongly agreed and agreed that the job develop and grow his/her abilities, whereas, 46(25%) respondents strongly disagreed and disagreed that the job develop and grow his or her abilities. From the total 184 respondents 36(19.6%) respondents were not sure the job develops and grow his/her abilities.

In terms of authority dimension , about 102(55.4%) respondents of public commercial bank strongly agreed and agreed to the statement “ I Have enough authority” ,concomitantly, 45(24.5%) respondents strongly disagreed and disagreed to this statement , the rest 37(20.1%) respondents are neutral opinion to the statement “ I Have enough authority” . More than 50% of the respondents enjoyed and motivated with the given authority. Table 5 also indicated that majority 103(55.9%) respondents strongly agreed and agreed with the statement “I am truly satisfied with my present job”, however, 42(22.9%) of them strongly disagreed and disagreed with the statement “I am truly satisfied with my present job”, the rest 39(21.2%) respondents were neutral opinion with the statement “I am truly satisfied with my present job. In terms of participation in decision, 107(58.2%) respondents strongly agreed and agreed that the bank participate in decision making process, 39(21.2%) respondents perceived indifferent opinions with the statement “the bank can participate its employees in decision making process”, while, 38(20.6%) of them strongly disagreed and disagreed with the statement “the bank can participate its employees in decision making process”

Table 5 also reveals that significant portion 111(60.3%) respondents strongly agreed and agreed to the statement “I am independent of others” ,however, 41(22.3%) of them strongly disagreed and disagreed to this statement, the remaining 32(17.4%) respondents were a neutral opinion to the statement “I am independent of others”. In terms of responsibility dimension, significant portion of the respondents 116 (63.1%) strongly agreed and agreed to the statement “I am responsible for my job”, the rest 34(18.5%) and 34(18.4%) respondents were neutral and perceived negatively (strongly disagreed and disagreed) to this statement respectively.

As reveals in table 5 in terms of achievement, 111(60.4%) respondents were strongly agreed and fairly agreed to the statement “my work is important for organizational goal(s)” ,while, only 38(20.6%) respondents were perceived negatively (strongly disagreed and disagreed) to this statement , the remaining , 35(19%) respondents were indifferent to the statement “my work is important for organizational goal(s)” .Finally, regarding freedom dimension, significant portions of public commercial bank respondents 121(65.8%) perceived positively (strongly agreed and agreed) to the statement “I am allowed sufficient freedom” ,however, only 28(15.2%) respondents were perceived negatively (strongly disagreed and disagreed ) to this statement, the rest ,35(19%) respondents were a neutral opinions to the statement “I am allowed sufficient freedom”.

**Table: 6 Perceptions of private bank employees towards intrinsic reward elements.**

Statements		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
<b>My job is challenging</b>	Frequency	13	20	19	37	25	114
	%	11.4	17.5	16.7	32.5	21.9	100
<b>My job grow and develop my abilities</b>	Frequency	17	13	28	32	24	114
	%	14.9	11.4	24.5	28.1	21.1	100
<b>I have enough authority in my job</b>	Frequency	14	11	19	43	27	114
	%	12.3	9.6	16.7	37.7	23.7	100
<b>I am truly satisfied with my present job</b>	Frequency	6	16	12	45	35	114
	%	5.3	14	10.5	39.5	30.7	100
<b>I participate in decision making process</b>	Frequency	13	18	31	43	9	114
	%	11.4	15.8	27.2	37.7	7.9	100
<b>I am independent of others</b>	Frequency	17	16	19	42	20	114
	%	14.9	14	16.7	36.8	17.6	100
<b>I am responsible for my job</b>	Frequency	12	25	12	33	32	114
	%	10.5	21.9	10.5	28.9	28.2	100
<b>My job is important for organizational goals.</b>	Frequency	16	22	18	27	31	114
	%	14	19.3	15.8	23.7	27.2	100
<b>I am allowed sufficient freedom</b>	Frequency	14	24	22	31	23	114
	%	12.3	21.1	19.3	27.2	20.2	100

**Sources: Questionnaires, 2015**

Table 6 presents the frequencies and percentages of private bank employee’s perceptions towards the motivational factors of intrinsic reward elements. In table 6, 62(54.4%) respondents in private commercial banks agreed and strongly agreed (perceived positively) to the statement “my job is challenging”, while, 33(28.9%) respondents disagreed and strongly disagreed (perceived negatively) to this statement, besides, 19(16.7%) respondents were not sure to the statement “my job is challenging”.

In terms of other motivational factors personal growth and development, 56(49.2%) respondents agreed and strongly agreed that their job grow and develop his/her abilities, however, 30(26.3%) respondents felt disagreed and strongly disagreed that their job grow and develop his/her skills, the rest 28(24.5%) respondents were indifferent that the job develop and grow his/her abilities.

Likewise, in table 6, while, 70(61.4%) respondents strongly agreed and fairly agreed with the statement “I have given enough authority”, only 25(21.9%) respondents strongly disagreed and fairly disagreed with the statement “I have given enough authority”. The employees who are neutral opinions with the statement “I have given enough authority” counts 19(16.7%). As can be seen from table 6, most of 80(70.2%) respondents strongly agreed and agreed (perceived positively) with the statement “I am truly satisfied with my present job”, while; only 22(19.3%) respondents strongly disagreed and disagreed (perceived negatively) with the statement “I am truly satisfied with my present job”. The respondents who are neutral with the statement “I am truly satisfied with my present job” constitute 12(10.5%). In terms of participating in decision dimension, 52(45.6%) strongly agreed and fairly agreed (responded positively) to the statement “the employees participate in decision making process” ,whereas , the number of respondents who are strongly disagreed and fairly disagreed(perceived negatively) and neutral with the statement “the employees participate in decision making process” is similar which counts 31(27.2%) each respectively. As can be also shown in table 6, 62(54.4%) respondents fairly agreed and strongly agreed with the statement “I am independent of others”, on the other hand, 33(28.9%) and 19(16.7%) of them fairly disagreed and strongly disagreed and a neutral opinion with the statement “I am independent of others” respectively.

Regarding the given responsibility, 65(57.1%) respondents strongly agreed and fairly agreed with the statement “I have responsible for my job”, while, 37(32.4%) respondents strongly disagreed and fairly disagreed with this statement. In terms of the dimension achievement, 58 (50.9%) respondents strongly agreed and agreed to the statement “the job contribute a lot for organizational goal(s)” ,while, about 38(33.3%) respondents strongly disagreed and disagreed(perceived negatively) to this statement , the remaining 18(15.8%) respondents indifferent to the statement “the job contribute a lot for organizational goals” .Finally table 6 reveals that, 54(47.4%) respondents fairly agreed and strongly agreed to the statement “I have

allowed sufficient freedom”, 22(19.3%) respondents were a neutral opinion to this statement and 38(33.4%) respondents strongly disagreed and disagreed to the statement “I have allowed sufficient freedom”.

#### **4.3.1 Comparative analysis on intrinsic rewards**

**H0:** There is significant difference between employees’ perception regarding intrinsic reward elements between public and private sector commercial banks in Ethiopia.

**H1:** There is no significant difference between employees’ perception regarding intrinsic reward elements between public and private sector commercial banks in Ethiopia.

In order to testify the above hypothesis and to address the objective(s) of the study comparative analysis on the perceptions of public and private sector commercial bank employees towards intrinsic reward elements is very crucial. The study found that public sector commercial banks employees motivated by challenging job more than the private sector commercial banks employees (64.2% and 54.4% employees of public bank and private sector commercial bank employees strongly agreed and agreed(responded positively)that the job is challenging respectively ). In terms of personal growth and development dimension, about 55.4% public banks employees are strongly agreed and agreed (responded positively) with the job grow and develop his/her abilities, however, 49.2% of private sector commercial banks employees strongly agreed and agreed (responded positively) with the job grow and develop his/her abilities, this suggests that the public sector banks employees motivated by personal growth and development more than the private sector commercial banks employees.

In terms of other dimensions of intrinsic rewards , public sector bank employees motivated by intrinsic reward elements more than the private sector commercial banks employees (participation in decision making process (58.2% of public bank employees and 45.6% of private bank employees responded positively),independence (about 60.3% of public sector commercial bank employees and 54.4% of private sector commercial bank employees responded positively),responsibility (63.1% of public bank employees and 57.1% of private bank employees responded positively), achievement(60.4% of public bank employees and 50.9% of private bank employees responded positively) and freedom(65.8% of public bank employees and 47.4% of private bank employees responded positively)),but ,in terms of authority(61.4% of

private commercial bank employees and 55.4% of public bank employees strongly agreed and agreed( responded positively) )

and job satisfaction (70.2% of private sector commercial banks employees and 55.9% of public sector commercial bank employees strongly agreed and agreed( responded positively) ) ,this indicated that unlike the other intrinsic rewards in terms of authority and job satisfaction private sector commercial banks employees motivated more than the public sector commercial banks employees. Generally, the study is accepted the claim that public sector commercial banks employees motivated by intrinsic rewards more than the private sector commercial banks employees.

**Table: 7 Perceptions of public bank employees towards extrinsic reward elements.**

Statements		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
<b>My Salary is satisfactory.</b>	Frequency	38	43	33	44	26	184
	%	20.7	23.4	17.9	23.9	14.1	100
<b>My fringe benefits are good.</b>	Frequency	20	28	23	64	49	184
	%	10.9	15.2	12.5	34.8	26.6	100
<b>Promotion process is clear &amp; transparent.</b>	Frequency	23	20	34	43	64	184
	%	12.5	10.9	18.5	23.4	34.7	100
<b>Recognized regularly for my work done.</b>	Frequency	27	33	32	42	50	184
	%	14.7	17.9	17.4	22.8	27.2	100
<b>The work environment is conducive.</b>	Frequency	44	34	27	36	43	184
	%	23.9	18.5	14.6	19.6	23.4	100
<b>Good relation with my supervisor(s).</b>	Frequency	29	33	41	46	35	184
	%	15.8	17.9	22.3	25	19	100
<b>I have a good job security.</b>	Frequency	48	32	30	43	31	184
	%	26.1	17.4	16.3	23.4	16.8	100
<b>I have got enough on &amp; off job training.</b>	Frequency	34	39	24	52	35	184
	%	18.5	21.2	13	28.3	19	100

Sources: Questionnaires, 2015

In table 7, the perceptions of public bank employees towards extrinsic reward elements are presented. The number of respondents who are disagreed and strongly disagreed by the salary scale of the bank is 81(44.10%), nevertheless, 70(38%) respondents are strongly agreed and agreed by the salary scale of the bank, the rest, and 33 (17.9%) respondents were indifferent opinions towards the salary scale of the bank. In terms of Fringe benefits dimensions which consisted of fuel allowances, housing allowances, over time payment, health insurance, mobile allowances and bonuses , 48(26.1%) strongly disagreed and fairly disagreed, majority 113(61.4%) strongly agreed and fairly agreed with the statement “my fringe benefits is good” ,while ,the rest 23(12.5%) respondents were a neutral opinion with the statement “my fringe benefits is good” .As long as the clarity of the promotion system of the organization is important to motivate employees, about 43 (23.4%) respondents disagreed and strongly disagreed with the clarity of the promotion system of the organization , however, about107(58.1%) respondents agreed and strongly agreed with the clarity of the promotion system of the organization and the rest 34 (18.5%) respondents are indifferent opinions with the clarity of the promotion system of the organization. Regarding recognition dimension, about half of respondents of 92(50%) strongly agreed and agreed with the statement “I have recognized regularly for my work done”, 32 (17.4%) of them a neutral opinion to this statement ,at the same time 60(32.6%) respondents strongly disagreed and disagreed with the statement “I have recognized regularly for my work done”

As also clearly indicated in table 7, the number of respondents strongly disagreed and fairly disagreed (perceived negatively) with the statement “the work environment is conducive” and the number of respondents strongly agreed and agreed (perceived positively) to this statement is quite similar off 78(42.4%) and 79(43%) respectively, whereas, 36(19.6%) respondents were a neutral opinion with the statement “the work environment is conducive”. In terms of subordinate-superior(s) relationship dimension, significant portion of the respondents 81(44%) agreed and strongly agreed with the statement “the subordinate-superior(s) relationship is good” , however, 62(33.7%) strongly disagreed and disagreed with the statement “the subordinate-superior(s) relationships is good”, the remaining 42 (22.3%) respondents were a neutral opinion to this statement. As can be seen in table 7, the number of public commercial bank respondents

who were strongly disagreed and disagreed (responded negatively) to the statement “I have a good job security” and the number of respondents who strongly agreed and agreed (responded positively) to this statement is quite similar off 80(43.5%) and 74(40.2%) respectively, however, 30(16.3%) respondents were a neutral opinion to the statement “I have a good job security”. Finally, in terms of training, from the total respondents, about 87(47.3%) respondents strongly agreed and agreed with the given on and off the job training, about 73(39.7%) respondents strongly disagreed and disagreed with the given on and off the job training, while, the rest 24(13%) respondents were indifferent opinion with the given on and off the job training respectively.

**Table: 8 Perceptions of private bank employees towards extrinsic reward elements.**

Statements		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
<b>My Salary is satisfactory.</b>	Frequency	7	25	13	45	24	114
	%	6.1	21.9	11.4	39.5	21.1	100
<b>My fringe benefits are good.</b>	Frequency	12	18	13	48	23	114
	%	10.5	15.8	11.4	42.1	20.2	100
<b>Promotion process is clear &amp;transparent.</b>	Frequency	11	9	25	47	22	114
	%	9.6	7.9	21.9	41.3	19.3	100
<b>Recognized regularly for my work done.</b>	Frequency	13	21	25	36	19	114
	%	11.4	18.4	21.9	31.6	16.7	100
<b>The work environment is good</b>	Frequency	12	19	24	44	15	114
	%	10.5	16.7	21	38.6	13.2	100
<b>Good relation with my supervisor(s).</b>	Frequency	9	16	38	35	16	114
	%	7.9	14	33.3	30.7	14.1	100
<b>I have a good job security.</b>	Frequency	14	21	30	31	18	114
	%	12.3	18.4	26.3	27.2	15.8	100
<b>I have got enough on &amp; off job training.</b>	Frequency	10	14	22	39	29	114
	%	8.8	12.3	19.3	34.2	25.4	100

Sources: Questionnaires, 2015

Table 8 reveals the perceptions of private bank employees towards extrinsic reward elements. The first highest frequencies (percentages) of 69(60.6%) goes to respondents who are agreed and strongly agreed with the statement “My salary is satisfactory”, in contrast, the lowest frequencies (percentages) of 13(11.4%) goes to respondents who are a neutral opinion with the statement “My salary is satisfactory”, whereas, the number of respondents who are strongly disagreed and disagreed (responded negatively) with the statement “My salary is satisfactory” counts 32(28%).

In terms of fringe benefits, the majority 71(62.3%) respondents were agreed and strongly agreed with the statement “my fringe benefits are good”.30(26.3%) respondents were disagreed and strongly disagreed with the statement “my fringe benefits are good” and 13(11.4%) respondents were a neutral opinion to this statement. Regarding the dimension promotion, significant portions of 69(60.6%) respondents were strongly agreed and agreed to the statement “the promotion system of the organization is clear and transparent”, while, 20(17.5%) respondents disagreed and strongly disagreed to this statement, the rest 25(21.9%) respondents were indifferent opinion to the statement “the promotion system of the organization is clear and transparent”.

Regarding recognition, 25 respondents who represent the lowest percentages of (21.9%) neutral, 34 respondents of (29.8%) strongly disagreed and disagreed and 55 respondents who represent the highest percentages of (48.3%) strongly agreed and agreed to the statement “I have recognized regularly for my work done” respectively. As also reveals in table 8 the almost half of the respondents 59(51.8%) agreed and strongly agreed (responded positively) to the statement “the work environment is conducive “, nevertheless, about 31 (27.2%) respondents strongly disagreed and disagreed (responded negatively) to this statement, the remaining 24(21%) respondents were a neutral opinion to the statement “the work environment is conducive”. In terms of job security dimension, about 49(43%) , 35(30.7%) and 30 (26.3%) respondents were perceived positively (strongly agreed and agreed), perceived negatively (strongly disagreed and disagreed ) and a neutral opinion to the statement “I have a good job security” respectively. 15(13.2%) respondents strongly agreed, 19(6.7%) respondents disagreed and 12(10.5%) strongly disagreed to this statement. As far as subordinate –superior(s) relationship dimension concerned, most of respondents 51(44.8%) agreed and strongly agreed to the statement “good relation with my supervisor(s)”, while, 25(21.9%) respondents were strongly disagreed and disagreed to this statement and 38(33.3%) respondents were a neutral opinion to the statement “good relation

with my supervisor(s)” . As also clearly observed in table 8, 68(59.6%) respondents were strongly agreed and agreed with the statement “I have got enough on and off the job training”, respondents who strongly disagreed and disagreed and a neutral opinion with the statement “I have got enough on and off the job training” constitutes 24(21.1%) and 22(19.3%) respectively.

#### **4.3.2 Comparative analysis on extrinsic rewards**

**H0:** There is significant difference between employees’ perception regarding extrinsic reward elements between public and private sector commercial banks in Ethiopia.

**H1:** There is no significant difference between employees’ perception regarding extrinsic reward elements between public and private sector commercial banks in Ethiopia.

In order to testify the above hypothesis and to address the objective(s) of the study comparative analysis on the perceptions of public and private sector commercial banks employees towards extrinsic reward elements is very crucial.

As indicated in table 7 and table 8, it is evident that 60.6% and 38% of private sector commercial banks and public sector commercial banks employees responded positively(strongly agreed and agreed) for satisfactory salary respectively, this is coincide with the claim that public banks employees perceived as offering lower salaries and fewer pay raises than the private sector banks employees, however, private sector employees put high salary on the top of rank order in terms of motivational factors . In terms of fringe benefits (62.3% private sector commercial banks employees and 61.4% of public sector commercial banks employees) and promotion (60.6% of private sector commercial bank employees and 58.1% public sector commercial banks employees) perceived positively(strongly agreed and agreed) to the statements from this it deduced that public and private sector commercial bank employees perception is slightly differ. In terms of recognition, half of public sector commercial banks employees perceived positively (strongly agreed and agreed) and 48.3% of private sector commercial bank employees perceived positively (strongly agreed and agreed),from this one can infer that public sector commercial banks employees motivated by recognition more than the private sector commercial banks employees . It is also evident that in table 7 and table 8 the private sector commercial bank employees motivated by conducive work environment, harmonious subordinate-superior(s) relationship, and good job security and training program more than the public sector commercial

bank employees. In general, the study found that private sector commercial banks employees motivated by extrinsic rewards more than the public sector commercial banks employees.

**Table 9 Manna-Whitney Statistics on intrinsic rewards**

<b>Intrinsic rewards</b>		<b>Manna-Whitney U</b>	<b>Wilcoxon W</b>	<b>Z-Statistics</b>	<b>P(Asymp 2-tailed)</b>
<b>Challenge</b>	Public banks	1696.000	2362.000	-5.429	.000
	Private banks	839.000	1367.000	-3.870	.000
<b>Independence</b>	Public banks	1757.500	2618.500	-6.277	.000
	Private banks	651.000	1212.000	-5.557	.000
<b>Responsibility</b>	Public banks	1462.000	2057.000	-6.237	.000
	Private banks	687.000	1390.000	-5.791	.000
<b>Authority</b>	Public banks	2405.500	3533.500	-4.153	.000
	Private banks	588.000	913.000	-4.660	.000
<b>Achievement</b>	Public banks	2309.500	3170.500	-3.325	.001
	Private banks	1074.000	1894.000	-3.128	.002
<b>Participation</b>	Public banks	1650.000	2391.000	-6.177	.000
	Private banks	879.000	1440.000	-3.709	.000
<b>Personal growth &amp; development</b>	Public banks	2372.000	3548.000	-4.519	.000
	Private banks	627.000	1123.000	-5.449	.000
<b>Job satisfaction</b>	Public banks	2282.000	3185.000	-3.711	.000
	Private banks	612.000	865.000	-3.727	.000
<b>Freedom</b>	Public banks	1012.000	1418.000	-7.259	.000
	Private banks	1178.000	1919.000	-2.075	.038

Source: own computation by the help of SPSS.ver.20.

#### **4.4 Discussions of the Findings of U Manna –Whitney test on intrinsic rewards**

The U Manna –Whitney test used to test the impacts of each intrinsic reward variables on employees motivation in public and private sector commercial banks employees motivation. A statistically significant level was accepted at  $P < 0.05$ .

As the result revealed in table 9, the comparison of the public and private sector commercial banks employees based on each grouping variables of challenge ( $Z = -5.429$  for public banks and  $Z = -3.870$  for private banks); independence ( $Z = -6.277$  for public banks and  $Z = -5.557$  for private

banks); responsibility( $Z=-6.237$  for public banks and  $Z=-5.791$  for private banks); achievement( $Z=-3.325$  for public banks and  $Z=-3.128$  for private banks) ; participation( $Z=-6.177$  for public banks and  $Z=-3.709$  for private banks) ; personal growth and development( $Z=-4.519$  for public banks and  $Z=-5.449$  for private banks); authority( $Z=-4.153$  for public and  $Z=-4.660$  for private banks); job satisfaction( $Z=-3.711$  for public banks and  $Z=-3.727$  for private banks) and freedom( $Z=-7.259$  for public banks and  $Z=-2.075$  for private banks) have shown statistically significant value at  $P<0.05$ .

Therefore, from the statistical tests one can realized that each intrinsic reward variables on employee's motivation are fundamental instruments to increase employees' motivation in both public and private sector commercial banks. On the other hand, this is similar to the claim that intrinsic reward improves the motivational status of employees so that they can increase their achievement level.

**Table 10 Manna-Whitney Statistics on extrinsic rewards**

<b>Extrinsic rewards</b>		<b>Manna-Whitney U</b>	<b>Wilcoxon W</b>	<b>Z-Statistics</b>	<b>P(Asymp 2-tailed)</b>
<b>Salary</b>	Public banks	2605.000	6260.000	-5.174	.000
	Private banks	502.000	1097.000	-6.967	.000
<b>Fringe benefits</b>	Public banks	2335.000	3560.000	-3.542	.000
	Private banks	440.500	936.500	-7.063	.000
<b>Promotion</b>	Public banks	1750.000	2696.000	-4.875	.000
	Private banks	290.500	615.500	-7.380	.000
<b>Recognition</b>	Public banks	2317.000	4028.000	-4.633	.000
	Private banks	668.500	1371.500	-5.999	.000
<b>Work environment</b>	Public banks	1840.000	5080.000	-7.534	.000
	Private banks	709.000	1237.000	-4.985	.000
<b>Subordinate – superior(s) relation</b>	Public banks	2180.000	4196.000	-5.535	.000
	Private banks	684.000	1149.000	-4.859	.000
<b>Job security</b>	Public banks	2328.000	5488.000	-5.918	.000
	Private banks	1238.500	1941.500	-1.476	.140
<b>Training</b>	Public banks	3097.000	5872.000	-3.194	.001
	Private banks	826.000	1232.000	-3.262	.001

**Source: own computation by the help of SPSS.ver.20.**

#### **4.5 Discussions of the Findings of U Manna –Whitney test on extrinsic rewards**

According to the result shown in table 10, except for the variables job security (on private sector commercial banks) had a P value of 0.140, which is greater than the established significance level, in both sector banks all the extrinsic reward variables salary ( $Z=-5.174$  for public banks and  $Z=-6.967$  for private banks), fringe benefits ( $Z=-3.542$  for public banks and  $Z=-7.063$  for private banks), promotion ( $Z=-4.875$  for public banks and  $Z=-7.380$  for private banks), recognition ( $Z=-4.633$  for public banks and  $Z=-5.999$  for private banks), work environment ( $Z=-7.534$  for public banks and  $Z=-4.985$  for private banks), subordinate-superior(s) relation ( $Z=-5.535$  for public banks and  $Z=-4.859$  for private banks), job security ( $Z=-5.918$  for public banks and  $Z=-4.859$  for private banks) and training ( $Z=-3.194$  for public banks and  $Z=-3.262$  for private banks) have shown statistically significant at  $P<0.05$ .

The result suggests that extrinsic reward variables of salary, fringe benefits, promotion, recognition, work environment, subordinate-superior (s) relation, job security and training have play significant role to motivate the employees of both sector commercial banks regarding his/her job commitments, besides, this is coincide with the claim that this extrinsic reward variables have a significant impact on intrinsic motives/rewards, however, job security has no any significant role to motivate an employee's of private sector commercial bank regarding his/her job commitment.

## CHAPTER FIVE

### 5 Summary of major findings , Conclusions and Recommendation

In this chapter the researcher presented the summary of major findings, the conclusions and recommends some options for public and private sector commercial banks concerned body(s) to improve the work motivational status of employees.

#### 5.1 Summary of major findings

The data reveals that majority of the respondents 62.75% were male, while, 37.25% respondents were female. It is also evident from the demographic distribution most of the respondents 72.15% were aged between 21-30 years old. As also reveals from the demographic distribution majority of respondents 90.61% were degree holders. Furthermore, majority of the respondents 77.85% were customer service officers and almost half of the respondents were a service year between 1-5 years. The findings of the study also shows that public commercial banks employees in Ethiopia value intrinsic rewards more than the private commercial bank employees, it is evident that 65.8% employees of public commercial banks employees agreed and strongly agreed (responded positively) to the statement the bank allowed sufficient freedom, however, about 47.4% employees of private commercial bank employees agreed and strongly agreed (responded positively) to this statement, in contrast, private commercial banks employees in Ethiopia value extrinsic rewards more than the public commercial bank employees, the data reveals that about 60.6% of private commercial banks employees agreed and strongly agreed (responded positively) to the statement the salary scale of the banks is satisfactory, while, only 38% of public commercial bank employees agreed and strongly agreed to the this statement . Besides, the findings of the study reveals that at  $P < 0.05$ , all the variables of intrinsic rewards have shown a statistically significant values in both commercial banks. Finally, the data reveals that, except job security (had a P value 0.140 which is greater than the established significance level of  $P < 0.05$  in private commercial banks) all extrinsic reward dimensions have shown a statistically significant values in both commercial banks.

## **5.2 Conclusions**

Reward systems are one of the most studied and written subjects in the field of management and organizational behaviors; however, it remains one of the less understood terms. This study has been undertaken to compare the impacts of reward system on employees' motivation between public and private sector commercial banks, it is evident that public and private sector commercial bank employees differ in many aspects. Therefore, based on the findings of the study and in light of the objective(s) and hypothesis the researcher concluded that private sector commercial bank employees in Ethiopia motivated by extrinsic rewards more than the public sector commercial banks counterpart, it is evident that 60.6% of private sector commercial banks employees agreed and strongly agreed (responded positively) to the statement the salary is satisfactory, while, only 38% of public sector commercial bank employees agreed and strongly agreed to the this statement. In contrast, public sector commercial bank employees in Ethiopia motivated by intrinsic reward variables more than the private sector counterpart, 65.8% employees of public sector commercial banks employees agreed and strongly agreed (responded positively) to the statement the bank allowed sufficient freedom, while, 47.4% employees of private sector commercial bank employees agreed and strongly agreed (responded positively) to this statement. Moreover, since at 5% acceptable significance level, except job security (insignificant impact on employees motivation of private sector commercial banks in Ethiopia), all intrinsic and extrinsic reward variables are statistically significant which implies that both reward variables have a strong or positive impact on employees motivations in both sector banks in Ethiopia. Finally, the researcher suggest that the public and private sector commercial banks concerned body focus on both intrinsic and extrinsic rewards to motivate employees better

### 5.3 Recommendation

Based on the findings of the study, since all intrinsic reward variables and except job security (in private sector commercial banks) all extrinsic reward variables have statistically significant or have play significant role on employees' motivation in both sector commercial banks , the researcher forwards the following possibilities to both sector banks concerned body(s) to better motivate employees.

- The researcher suggest that the public and private sector commercial bank employees management give appropriate recognition to its employees ,for instances, say “thank you” when an employee’s has put an extra effort to accomplish his/her task(s). Rewarding exceptional new performance also inspires colleagues to improve their contribution in the workplace. All these boil down to the point that employee recognition is, certainly, a vital element to motivate employees.
- The researcher suggests that, encourage staff becoming involved in committees and forums in order to help employees create a sense of belongingness and to perform better for organizational success.
- The researcher suggests that in order to grow and develop employees’ abilities and in turn to motivate better both sector commercial banks in Ethiopia followed appropriate training and development programs based on skill gap.
- The researcher also suggests that both sector commercial banks ensure a safe, open and trusting work environment to motivate employees better.
- The researcher suggests that in order to fulfilling the basic necessities of life of employees and to motivated employees better, both sector commercial bank incentive planner design appropriate benefit packages.
- Generally, the public and private sector commercial bank human resource management and the concerned body focus on both intrinsic and extrinsic reward elements to motivate employees.

## **Future Research Agenda**

The researcher suggested that since this study confined itself only in banking sector, it also possible to conduct research to the other service sector like a comparative study on the impact of intrinsic and extrinsic rewards on employees' motivation between public/private insurance companies and the public/private commercial banks.

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# Appendix I

## Addis Ababa University

### College of Business and Economics

#### Department of Public Administration and Development Management

**Dear Respondents,**

I am currently attending a Master's degree in Masters of Public Management and policy with specialization area in development management and policy at Addis Ababa University. I am conducting a thesis on the impacts of reward system on employee's motivation between public and private sector commercial banks in Ethiopia. The purpose of this study is to assess the impact of intrinsic and extrinsic reward elements on employee's motivation. Therefore, your response is very crucial for the fulfillment of my study, I greatly appreciate your contribution and I can assure that your response is confidential and only used for academic purpose. If you are interested to send the result of the questionnaires and to give any comment or suggestion you may also use my email address [melakuhabte71@yahoo.com](mailto:melakuhabte71@yahoo.com).

**Regards,**

**Thank you for your co-operation.**

#### **Section one: Biographical information**

**1. Gender**

Male

Female

**2. Age**

Under 20 years

21-30 years

31-40 years

41-50 years

Above 50 years

**3. Level of Education**

- Under 10
- 10 completed
- 12 completed
- Diploma
- Degree
- M.A/M.SC
- Phd
- Other (please specify) \_\_\_\_\_

**4. Job Categories/Job Classification**

- Customer service officer
- Customer service manager
- Branch manager
- Other (please specify) \_\_\_\_\_

**5. How long have you served in this organization?**

- Less than 1 year
- 1-5 year
- 6-10 year
- 11-15 year
- 16-20 year
- Above 21 year

**Section Two:**

Read each of the following questions and please mark your answers with a cross (X) according to the scale correspond to the following:

- 5. Strongly agree
- 4. Agree
- 3. Neither agrees nor disagrees
- 2. Disagree
- 1. Strongly disagree

**2. 1.Regarding to intrinsic reward (work content).**

Items	1	2	3	4	5
I am interested in my work.					
My job is challenging.					
I have a job in which I can learn and develop my abilities.					
I have enough authority in my job.					
My work is enjoyable and stimulating.					
My work is easy.					
The amount of work is easy to handle.					
I am completely independent of others.					
I am responsible for my job.					
I feel that my work is valuable to the bank.					
I am allowed sufficient freedom to do a good job.					
I know exactly what mistakes are made.					
My present job makes good use of my skills and abilities.					
I feel happy when my work contributes to the achievement of my organizations goal.					
There is no time for idleness.					
I have an opportunity to participate in decisions.					
My work is the way for future success in the profession.					
I am proud to do this type of job.					
I have a possibility of growth.					
I have truly satisfied with my present job.					

**Intrinsic reward variables:** challenge, personal growth and development, authority, independence, achievement, participation, job satisfaction, freedom and responsibility.

## 2.2. Regarding to extrinsic reward (work context)

Items	1	2	3	4	5
My salary is satisfactory.					
My allowances and fringe benefits (fuel allowance, overtime payment, health insurance, telephone, housing, bonus and others) are adequately satisfactory as compared with banking industry benefit package.					
I can earn as similar as or more than other banks employees who works in similar position.					
The office space, furniture, equipment and other facilities are convenient and appealing to do my job.					
The organization promotion process is clear and transparent.					
I will expect to promote within the next two years.					
I am recognized regularly for my work done.					
The work environment is good to express my feelings and opinions.					
The organization rule and procedures are clear.					
I have a good relationship with my supervisor(s)					
I have a harmonious relationwith sub-ordinates.					
My supervisor(s) gives clear guidance.					
I have a good job security.					
I work for reputable organization.					
My supervisor will support me if there are problems.					
The organization treated employees fairly.					
My working hours are reasonable.					
I have got enough on and off job training.					
I have a good arrangement for annual leave.					

**Extrinsic reward variables:** Salary, fringe benefits, promotion, recognition, work environment, subordinate-superior(s) relation, job security and training.