



Addis Ababa University School of Commerce

**Effects of Reward Practice on Employee Job Satisfaction
At Abay Bank S .Co**

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In partial fulfillment of the requirements for the award of Master of
Art Degree in Human Resource Management

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STATEMENT OF CERTIFICATE

This is to certify that Birhanu Tadesse has carried out his research work on the topic entitled,

Effect of Reward Practice on Employee Job Satisfaction, at Abay Bank S.C. for the partial fulfillment of Masters of Art in Human Resource Management at AddisAbaba University-School of Commerce. This Study is an original work and not submitted earlier for any degree either at this University or any other University and it is suitable for submission of Master's Degree in Human Resource Management.

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Addis Ababa University School of Commerce

Graduate Program

Effects of Reward Practice on Employee Job Satisfaction

At Abay Bank S. Co

By

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DECLARATION

I Birhanu Tadesse, declare that this work entitled **The Effect of Reward Practice on employee Job Satisfaction: The case of Abay Bank S.C.** is outcome of my own effort and that all source of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Human Resource Management.

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Acronyms

ABSC- Abay Bank Share Company

HRM/D–Human Resource Management/ Human Resource Division

CSM–Customer Service Manager

FGD- Focus Group Discussion

IFB- Innovations, Fortify Banking

SPSS–Statistical Package Software for Social Science

SD-Standard Deviation

MSQ–Minnesota Satisfaction Survey Questionnaires

Abstract

*In the current competitive business environment, banking industry is facing a lot of challenges particularly getting the right employees and retaining them. Rewards always play an important role in organization's growth and performance. This study examines the effects of Intrinsic and Extrinsic Rewards towards job satisfaction at Abay Bank S.C. Employees. This is because reward and job satisfaction is core factor in which managers should be keen in order to meet the targets of the organization A Descriptive research design with inferential method is applied in this study. Using stratified random sampling technique 150 participants (employees) of the target institution Abay Bank S.C were selected from the total population of 600. The primary data was collected using standard questionnaires were subject to subsequent statistical analysis using SPSS-20 version software. Accordingly, Recognition ($r=.685^{**}$, $p<0.01$), Pay system ($r=.591^{**}$, $p<0.01$), Benefit ($r=.566^{**}$, $p<0.01$), and Working Conditions ($r=.519^{**}$, $p<0.01$) have high degree of positive relationship with job satisfaction of employees. Whereas, Working relation ($r=.475^{**}$, $p<0.01$), have moderate Correlation with Job Satisfaction and also Promotion ($r=-.530^{**}$, $p<0.01$) and Task Autonomy ($r=-.648^{**}$, $p<0.01$) have a negative correlation with job satisfaction. The expected outcome is aimed at unearthing the need to motivate employees in the Banking Industry so as to improve their job satisfaction. The findings of the research generally reveal that reward has a great deal of impact on job satisfaction of employees and the current trend of reward management is not that of satisfying the expectations of employees. These results imply that the employees in Abay Bank S.C generally did not perceive the reward practices in the institution as fair. Similarly, their overall satisfaction on the reward practices of the bank is moderate. Therefore, in order to be effective in achieving its targeted goals and objectives, Abay Bank S.C is required to reevaluate its reward practices.*

Key Words: Job satisfaction, Reward, Pay, Benefits, Promotion, Recognition, Task Autonomy, Working Relation and Working Condition

CHAPTER ONE

INTRODUCTION

This chapter introduces the research by presenting background of the study and demonstrating the need for the research. An explanation as to why this research is conducted within the banking sector is given. The research objectives and questions are presented in the context of the conceptual frame work and the scope. Limitation and definition of terms are also presented in this chapter.

1.1 Background of the study

Human resource is the part of the organization concerned with the people dimension. HR is responsible for hiring competent people, training them, helping them perform at high levels and providing mechanisms these employees maintain their productive affiliation with the organization (Decenzo & Robbins, 2005). Every organization is encompassing of people. Acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they maintain their commitment to the organization are essential to achieving organizational objectives. This is true regardless of the type of organization, government, business, education, health, recreation, or social action. Hiring and keeping good people are critical to the success of every organization (Armstrong, 2005).

Employee satisfaction also has become an important issue. It has been linked with a number of outcomes. If employees who are fairly rewarded, they are satisfied and usually do not appeal to look for other opportunities. This means that they are less likely to leave the organization. On the other hand employees who are not satisfied, absenteeism and turnover will increase in the organization, which have ultimately negative effect on the performance of the organization. As a result of this, it becomes important for an organization to pay more attention to the employee satisfaction.

Over the years, a considerable amount of literature has been developed, which seeks to improve understanding in rewards systems and the extent to which they can influence the levels of employees' commitment, motivation and eventually, job satisfaction.

According to (Lawler, 1971) intrinsic and extrinsic reward systems are one of the most widely researched and written subjects in the field of management and organizational behavior, yet it remains one of the less understood topics.

Remuneration can be anything tangible or intangible that an organization provides to its employees either intentionally or unintentionally in exchange for the employees potential or actual work contribution to which employees as individuals attach a positive value as a satisfier or certain self-defined needs (Shields, 2007).

According to (Armstrong,2009) reward management is concerned with the formulation and implementation of strategies and policies the purpose which are to reward people fairly, equitably and consistently in accordance with the value to the organization and thus help the organization achieve its strategic goals. It is also concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees.

It deals with the design, implementation and maintenance of reward systems (reward process, practices and procedures that aim to meet the needs of both the organization and its stakeholders).

In today's competitive world, organizations face new challenges regarding the development of employee satisfaction. No organization can be effective unless each employee is committed to the organization's vision, mission and objectives (Schein, 2004) argued that the success of an organization depends on employee satisfaction. Hence, it is important to understand the concept of employee satisfactions.

The central concern of this study was to examine these two crucial issues of the human resource function and to discover their correlation in a particular setting. The main objective is to show whether reward systems influence the levels of job satisfaction among employees of Abay Bank S. Co.

According to Novel Solomon, clearly stated that Abay bank should fill the following gap Bank shall continuously conduct analysis on the inflation and rewarding system competitiveness and make corresponding decisions taking into consideration market change trends and financial

capacity of the Bank A salary system should be designed to promote internal salary equity as well as external salary equity (based upon salary comparisons among individuals in similar positions from similar Banks). On the other hand, two shifts or three shifts is a way to reduce the workload of employees and Abay Bank should specifically work to improve reward strategies by considering welfare of employees, goals and values, allowing employees to learn with an acceptable degree of learning errors and allow flexibility in the recognition process and involving employees in recognition process.

Moreover, the study aims to discover answers to the following subjects: which of the two kinds of rewards can satisfy employees; which of the two kinds of rewards are the most influential factor for job satisfaction and identifying rewards that can help them to achieve high levels of job satisfaction.

1.2. Background of the Company

Abay Bank S.C. is a privately owned Share Company, established on July 14th in accordance with Proclamation 84/94 and the commercial code of Ethiopia and officially inaugurated for public services on November 4, 2010. With over 1600 shareholders, Abay Bank S.C. has a unique position in the commercial Banking industry and is distinguished for its broad based participation of the public from all Walks of life. Besides, Abay Bank S.C. total asset reached birr 6.2 billion showing an increase of 35% from the previous year (1014/15). At the same time, the paid up capital reached Birr 719 million. Article 310(1) of the commercial code of Ethiopia entitles the promoters' committee to 20% of the net profit of the bank for a period not exceeding three years. However, they have relinquished this right by their own free will to enhance the capacity of the Bank. The Bank is led by nine member of Board of Directors elected by the General Assembly to decide on policy matters and oversee the overall performance of the Bank. The President of the Bank, is appointed by the Board of Directors, is responsible for the day to day activities and is accountable for the financial and operational performance of the Bank. (AB S.CO Annual Report for the year 2015/2016).Abay Bank S.C. has created an employment opportunity for over 1750 people, as of June 30, 2016 and expands its branch network throughout the country based on availability of potential customer, market and financial soundness. Abay Bank S.Co open 140 full-fledged and satellite branches both in Addis Ababa

&Regional Towns, and provides all banking services including deposits, local transfer, various types of credit facilities and international banking. On the other hand, the Bank has planned to raise its deposit level, intensifying product innovations, fortify IFB- banking, Multi-Channel and Diaspora banking services, strengthening good governance and human resource development.

1.3. Statement of the Problem

In every organization employees are the most valuable assets. One of the core competencies an organization can have is its human resource.

“Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility.” (Colin Pitts, 1995, P 11 (as cited in Carolina Mikander, 2010, P 16).

Thompson et al. (2005) (as cited in Martha Harunavamwe and Herbert Kanengoni (2013) indicate that a properly designed motivational reward structure is management’s most powerful tool for mobilizing organizational commitment to successful strategy execution and productivity.

According to Goodwin’s and Gremle, (1976) found that the banking industry is in need of employees those are both satisfied and motivated, for without them, customer satisfaction levels would also be affected. Reynolds and Beatty, (1999) add that the relationship established to the employees and the customer may lead to an increase in value perception with regard to the bank services. When a high perception of value is achieved these it is also highly likely that the customer will be satisfied, there by bringing in more business to the bank. Thus to satisfy and retain customers banks first and foremost must take care of their employees Tax and Brown, (2003) and this is done through designing effective rewards system.

A well-thought-out and skillfully designed rewards program can give organization a competitive edge. In particular, it can help you generate the business outcomes that matter most to your strategy; whether those outcomes take the form of employee retention, productivity, job satisfaction, or service quality. In an age of stiffening competition and increasing pressure to do more with less, no organization can afford to ignore the strategic value that a well-designed total rewards system can provide.

The annual attrition rate of the Bank, 15% for the year 2015 – 2016 (Annual HR Report of ABSC, 2015/16) 140 employees were resigned from the bank within one fiscal year. Furthermore, the recent satisfaction survey (annual satisfaction survey, 2015/16) conducted by the bank reveals reasons associated with employees and the working environment. As per the satisfaction survey high number of employees left the Bank for a variety of reasons, but they are more likely to leave for rewards-related reasons than other work-related issues and this separation of high skilled and potential employees adversely affecting the competitiveness of the bank. Because of all these assumptions this paper is sought to identify “ Effects of Reward variables such as: Pay, Benefits, Promotion, Recognition, Working Condition, Task Autonomy, and Working Condition on job satisfaction among bank employee’s”.

1.4. Research Questions

Based on the above stated problems the study has tried to address the following research questions:

General Question

- ✓ What are the effects of rewards practice on job Satisfaction among bank employees?

Sub Questions

- Which types of rewards (Extrinsic or Intrinsic) can satisfy employees of Abay Bank S.co?
- What are the perceptions of the Bank’s employees on the existing reward practices?
- Which of the rewards is the most influential factor for employee job satisfaction in Abay Bank S.co?

1.5 Research Objectives

1.5.1 General objectives

The general objective of this research is to examine the effects of reward practice on employee job satisfaction.

1.5.2 Specific objectives

- To identify the relationship between rewards mechanisms and job satisfaction of employees;
- To identify to what extent the employees are satisfied with the reward system and practices that is put into use.
- To distinguish which reward types (pay or benefit or promotion or recognition or working relation or working condition or task autonomy) contributes to job satisfaction.

1.6. The following hypotheses are developed for testing the above relationships.

H1. Null hypothesis (Ho). pay system has no significant effect on overall job satisfaction

- **Alternative hypothesis (H1).** Pay system has a significant effect on overall job satisfaction

H2. Null hypothesis (Ho). Benefit has no significant effect on overall job satisfaction.

- **Alternative hypothesis (H1).** Benefit has a significant effect on overall job satisfaction.

H3. Null hypothesis (Ho). Promotion has no significant effect on overall job satisfaction..

- **Alternative hypothesis (H1).** Promotion has a significant effect on overall job satisfaction.

H4. Null hypothesis (Ho). Recognition has no significant effect on overall job satisfaction.

- **Alternative hypothesis (H1).** Recognition has a significant effect on overall job satisfaction.

H5. Null hypothesis (Ho). Task autonomy has no significant effect on overall job satisfaction..

- **Alternative hypothesis (H1).** Task autonomy has a significant effect on overall job satisfaction..

H6. Null hypothesis (Ho). Working relation has no significant effect on overall job satisfaction.

- **Alternative hypothesis (H1).** Working relation has no significant effect on overall job satisfaction.

H7. Null hypothesis (Ho). Working condition has no significant effect on overall job satisfaction.

- **Alternative hypothesis(H1).** Working condition has a significant effect on overall job satisfaction.

1.7. Significance of the Study

1.7.1 Theoretical Significance

The basis and findings of this research will be useful by future researchers, students and academicians digesting the effects and importance of different reward on employee job satisfaction. Finally, the finding of this study will be adding new stock of knowledge to the limited literature available about reward practice and employee job satisfaction in the Ethiopian banking industry. Moreover, it helps to encourage other researchers to undertake further research in the area.

1.7.2 Practical Significance

To identify the effect that exists on reward practice on job satisfaction on Abay Bank S.CO can use the information to adjust their reward system and thereby improve the satisfaction employees have to their Bank.

1.8.Scope of the Study

This research is delimited in terms of geographical location that the subjects of the study constitute employees of the Abay bank working in branches in Addis Ababa only.

Moreover, the study would have given the whole picture of Abay Bank Share Company if all Branches were covered. However, the study is focused only to head offices and city

branches of Abay Bank employees located at Addis Ababa city only due to time, geographical location and budget constraints to address all employees.

In terms of the constructs showing in the research framework, only seven ways of reward practice underpinnings and their influence on reward practice has been examined. Other elements or underpinnings measurements of reward practice were excluded, from this study; this research focused on cross sectional survey research design. Because, the study was cross-sectional survey meaning it was end by one-year time period. Therefore, this studies scope to the effects of reward practice on the job satisfaction of the bank regarding to private bank of Ethiopia.

1.9. Limitations of the Study

One of the problems experienced by the researcher was the refusal by some respondents to complete the questionnaire. The process of collecting the questionnaire proved to be challenging because some respondents failed to complete the questionnaire on time and the researcher spent a considerable amount of time in visiting the bank to follow up on the collection of the questionnaires. Despite this, an adequate number of questionnaires were returned to make the study valid. Also, lack of rich and recent literature on the area under the study is considered as a limitation to the study. Hence, this limitation of the study forwards the chance for other future researchers to consider those all aspects while they start on their thesis.

1.10 Definition of terms

Conceptual Definition of Terms

Refers to the definition of terms/concepts or variables from the theoretical perspectives. Sources of such definitions should be cited.

Total Rewards

Total rewards ‘includes all types of rewards indirect as well as direct, and intrinsic as well as extrinsic’ Manus and Graham, (2003).

Intrinsic Rewards

Intrinsic non-financial rewards related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation (Armstrong, 2007).

Extrinsic Rewards

Extrinsic rewards are the tangible rewards that provided by employers in the form of pay and benefits that will help to attract and retain employees and, for limited periods, may increase effort and minimize dissatisfaction (Armstrong, 2007).

Benefit packages:-are a set of different benefits a company offers to its employees in order to attract and retain them.

Financial rewards:-are rewards that are given to employees that are concerned with pay delivery through base and variable pay and with the provision of employee benefits and pensions Armstrong and Murlis, (2004).

Pay/salary -refers to the amount of pay (the fixed salary or wage) that constitutes the rate for the job.

Job Satisfaction: - The term job satisfaction refers to the attitude and feelings people have about their work. Positive and favorable attitudes towards the job indicate job satisfaction.

1.11. Organizational of the study

The paper is organized in five parts and each of them has specific focus areas. Chapter **One:** Introduction, Chapter **Two:** Literature Review, Chapter **Three:** Research Design and Methodology, Chapter **Four:** Data Analysis and Interpretation, and Discussion of Results, and Chapter **Five:** Summary, Conclusion and Recommendation.

Chapter1: This chapter presents a summary of the entire project. It identified the research area, split down into a sequence of objectives.

Chapter 2: This section reviews literature related to the research purposes. It constructs a theoretical establishment upon which the research is build. It is the relationship between reward practices and job satisfaction, and why it is measured. Also covers the vital parts of a valuable and efficient reward practices system and job satisfaction recognize the important steps that set the foundation.

Chapter3: This section explains the methodology that is employed to collect the data. It sketches the research model selected, the research strategy, and also give explanation for the selection of the methodology.

Chapter4: This section explains the findings of the research. The findings presented in text, graphs, and in tables.

Chapter5: This section outlines the conclusions and recommendations on the subject of the research objectives through connecting the research findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

This chapter reviews the related literature on the problem under study. Its focus is on reward systems, theories of reward systems, theories of job satisfaction and the relationship between rewards and job satisfaction.

2.1. Theoretical Review

2.1.1. Rewards Concept

According to (Armstrong, 2003) the concept of reward defines as being concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward practices that are geared to the improvement of organizational, team and individual performance.

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

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2004). In any

organization, rewards play an important role in building and sustaining the commitment among employees that ensures a high standard of performance and workforce constancy (Wang, 2004).

2.1.2 Reward Management

(Armstrong, 2010), reward management is the term used to reward employees based on how valuable they are to the company. It is a system that helps ensure that rewards are fair and consistent among all employees according to the work they contribute. The goal of reward management is to motivate employees so that employers can retain them in hopes of meeting the objectives and goals of the company. The objective is to find a way to do so in a manner that not only fits within the budget of the company, but that also abides by any legal regulations. So, in basic terms, rewards management is the concept of providing an incentive so that the employees want to do their best work and stay with the company.

It is about the design, implementation and maintenance of reward systems interrelated reward processes, practices and procedures that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include arrangements for assessing the value of jobs through job evaluation and market pricing, the design and management of grade and pay structures, performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits Armstrong and Murlis, (2004).

2.1.3. Reward system

In a simple word (Armstrong, 2010) defines reward system as the interrelated processes and practices that combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there. This indicates that the reward strategy adapted by any organization must fit into the Human Resources and business strategies of the organization. The formal reward systems in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance (Stephen, 2005).

Reward System is an integration of the sources and the course of actions that inform the selection of a mix of rewards aimed at facilitating the attraction and retention of employees, and to encourage employees' effort, cooperation as well as willingness to learn new skills and to adapt to change Torrington et al (2009) cited Cowling and Mailer, (1998).

The starting point of the reward system is the business strategy of the organization. This identifies the business drivers and sets out the business goals. The drivers are unique to any organization but will often include items such as high performance, profitability, productivity, innovation, customer service, quality, price/cost leadership and the need to satisfy stakeholders – investors, shareholders, and employees and, in local authorities, elected representatives.

According to (Armstrong, 2010), Reward systems are based on the reward strategy, which flows from the business strategy, for example to gain competitive advantage, and the HR strategy, which is influenced by the business strategy but also influences it.

According to (Armstrong, 2010), sometimes having a fair and equitable reward management system is not enough. It must be understood as being fair and equitable. This could be achieved through effective communication and training. A survey of most reward management problems indicated that there are a result of perceived inequity and unfairness rather than actual inequity and fairness.

Reward strategies direct the development and operation of reward practices and processes and also form the basis of reward policies, which in turn affect reward practices, processes and procedures. These different aspects of a reward system are defined below.

2.1.4. Reward strategies

Reward strategies direct the development and operation of reward practices and processes and also form the reward policies, which in turn affect reward practices, processes and procedures (Armstrong, 2010).

Reward strategy, in practice, is beyond the obligatory compensation or remuneration package it is a package of motivational incentives that guide actions in manipulating and controlling the behavior of employees towards the achievement of an organization's goal Armstrong and Murlis, (2004) cited Stoner, Freeman and Gilbert, (1995). It is in the recognition of the importance of reward as motivational technique that most organizations invest heavily in them reward in order to gain control of the behavior of their employees (Shields, 2007).

2.1.5. Reward policies

Reward policies are the guidelines and course of actions formulated for successful reward system with the greatest impact on the motivation and performance of individual employees. For reward system to be effectively administered, Byar and Rue, (2005) suggest that the policies should clearly indicate; the minimum and maximum levels of pay considering-The worth of the job to the organization, ability to pay, government regulations in the labor market, other market pressures. General relationship among levels of pay between senior operating management and between operative employees and supervisors, the division of total reward into various portions, for instance base pay, Incentive programmers, benefit, Lastly, how much should go into pay increases for the next year and who should recommend how raised should be determined.

(Lawler, 1971) emphasized that when developing reward policies it is necessary to think and act strategically about reward. Reward policies should take account of the organization's goals, values and culture and of the challenges of a more competitive global economy. New pay helps to develop the individual and organizational behavior that a company needs if its business goals are to be met. Pay policies and practices must flow from the overall strategy and they can help to emphasize important objectives such as customer satisfaction and retention and product or service quality.

2.1.6. Reward practices

The primary role of a best practice incentive strategy is to engage, motivate, recognize and reward individuals and teams to achieve organizational goals and objectives, which, as we have seen, is a shortcoming of traditional pay systems. These comprise the schemes, structures and techniques used to implement reward strategy and policy: for example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

2.1.7. Reward processes

It is one thing for organizations to institute reward processes and it is another thing for them to evaluate whether the reward processes are being effective. In other words, organizations need to constantly evaluate whether their reward processes are serving the purpose for which they were instituted. Moreover, it is the consist of the ways in which policies are implemented

and practices carried out; for example, how the outcomes of surveys are applied and how managers manage the pay adjustment and review process.

2.1.8. Types of Reward

It is generally recognized that people may receive two major categories of rewards from work Luthans (2000), cited in Aktar, Sachu, & Ali, (2012), One is intrinsic rewards, which are rewards that are internal to workers and which they give themselves. Intrinsic rewards include self-esteem, a sense of accomplishment, and a feeling of growth or development of special skills and talents. Many of these rewards are desired from the work itself. Intrinsic rewards are related to the worker's perception of the job and, hence, are affected by job design; intrinsic rewards may be called as "non-financial/non-monetary rewards. The other one is extrinsic rewards; these are the tangible rewards in form of pay and benefits while intrinsic rewards are intangible rewards internalized by individual employees as a result of their participation in specified activities. Another word to extrinsic and intrinsic is Financial and Non-financial some texts also refer to them as monetary and non-monetary.

Financial rewards

Financial rewards are monetary incentives that an employee earns as a result of good performance. These rewards are aligned with organizational goals. When an employee helps an organization in the achievement of its goals, a reward often follows(Aktar, Sachu, & Ali, 2012).Moreover it is typically understood to describe all financial means of pay provided by an Employer to an Employee in return for their individual effort and contribution, skills, and work done. Financial rewards are pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. it comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits.

Non-financial rewards

Non-financial rewards are Compensations given in a transaction which does not involve cash. In employment, a reward to a worker other than extra pays. Many non-financial rewards are perks such as company cars, free private medical care, and free pension entitlement

Neckermann & Kosfeld, (2008). However, an employee may be rewarded, for example, by being given a better office or a bigger budget to control, or by being given the choice of where to take a posting in a company. Non-financial rewards can be very cost-effective for companies because, in contrast with a pay increase, little or no income tax or national insurance contributions are paid.

Non-financial rewards can be classified as follows:

- A. Individual extrinsic rewards: non-financial recognition, praise, feedback.
- B. Individual intrinsic rewards: fulfilling work, opportunity to grow;
- C. Collective extrinsic rewards: work–life balance policies, employee well-being services, concierge services, voluntary benefits, learning and development and talent management program;
- D. Collective intrinsic rewards: work environment enhancement and work system design.

Intrinsic rewards

The personal satisfaction a person derives from a sense of self-accomplishment related to personal or business goals. Psychologists have found that intrinsic rewards can be more powerful motivators than an external reward system such as an employee bonus program. For example, employees who are given more opportunities to meet new challenges or learn new things tend to be self-motivated versus those that rely upon feedback or direction from their employers (Ryan and Deci, 2000) cited in (Mansor, Borhannuddin, & Yusuf, 2012).

Intrinsic rewards are ones that come from within the employee. An employee who is motivated intrinsically is working for his/her own satisfaction and may value challenging work he/she perceives to be meaningful to the company. By having regular communication with an employee, a manager can learn about the employee's motivations and might learn creative ways to reward him or her. Intrinsic Rewards are derived from the workplace itself and are valued internally by the employee. These include opportunities for personal growth, quality of work life, job satisfaction, challenges, personal and professional development opportunities, a sense of belonging, freedom to act, visionary leadership. Intrinsic reward is a self-generating outcome

such as personal esteem and fulfillment derived from say undertaking 'interesting' or 'useful' work (Stephen, 2005).

Extrinsic Rewards

Extrinsic rewards are the tangible rewards in form of pay and benefits while intrinsic rewards are intangible rewards internalized by individual employees as a result of their participation in specified activities. Another word to extrinsic and intrinsic is Financial and Non-financial some texts also refer to them as monetary and non-monetary.

Extrinsic rewards also include formal-recognition; base wage or salary, incentive payments, fringe benefits, promotion, social relationship and work environment. This study will explain and define different type of pay and non-financial scheme use in today's organizations.

According to Torrington et al (2009), "since 1940s payment scheme have had two underlying philosophies; First is the service philosophy (experience).It imply that people become more effective as they remain in a job, so their services should rewarded through incremental pay scales. Second is fairness philosophy that organizations must have standard structure of reward strategy that with promote fairness. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted. Extrinsic rewards and resource investment have been seen as necessary tools to motivate employee's creativity, especially in formalized tasks. Extrinsic rewards played a dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount.

2.1.11. Consequences of Total Rewards

Motivation of Employees

(Armstrong, 2010) explains that rewards given by an organization can have an effect on their attitudes and behavior towards their organization. According to him, he explained that financial incentives may increase engagement for some people in the short run, but the greatest impact on engagement is made by non-financial rewards especially when they generate intrinsic motivation through the work itself and the work environment.

According to (Kyle, 2007) he state that employer sometimes refer to reward as the labor payment for the employee's service, but for employee it is more that. It represents the recognition of their performance. Reward is a standard, which can measure how much an organization can satisfy its staff work value and aspiration; it can satisfy their personal ideal and hope of progress; it can describe the accomplishment that the employee want to achieve in terms of position and way of living.

Reward systems, are whether monetary or other, can positively affect employees by increasing motivation. Workers who are aware that outstanding performance or behavior in the workplace will result in desirable rewards are more likely to strive to meet the goals set forth by employers. This decreases monotony in the workplace and fosters ambition and hard work amongst employees.

Reaching and Retaining Good Workers

Employee Retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Employee retention is beneficial for the organization as well as the employee.

Retention of employees is part of Human Resource management and planning efforts. Turnover, as the opposite of retention, often has been seen as a routine HR matter requiring records and reports. Indeed, retention of employee is not the matter that can be dealt by the reports or records, it is purely depends on how we understand individual concerns especially in case of woman employees who are planning for pregnancy. The only simple logic employers must understand from the employee point of view is, organization must be like a helping hand for the genuine concerns.

Improvement in Profit

When employees work towards their goals in hopes of earning rewards, business become more successful. Profit increases and some businesses also may witness improvements in office relations and behaviors and in customer service. The more successful a business is, the more they can expand and the more rewards they can afford to offer, creating a cycle that promotes hard work, good behavior and increased profit.

Negative Effects

Some scholars argue that an overemphasis on business reward systems has a negative effect on intrinsic values. Intrinsic values are the values that a person, in this case an employee, has without prompting by an outside force. For example, dedication can be seen as an intrinsic value if an employee is dedicated without being offered a reward. If the employee is only dedicated because they know they will be rewarded, they value only extrinsic rewards. Some theorists believe that reward systems are completely diminishing employees' intrinsic value systems.

According to Cameron and Pierce, (1994) conducted a meta-analysis of this literature and concluded that negative effects of reward were limited and could be easily prevented in applied settings. A more recent meta-analysis of the literature by Deci, Koestner, and Ryan, (1999) shows pervasive negative effects of reward.

2.2. Empirical Review

After considering theories that bear on the impact of extrinsic rewards on intrinsic motivation and discussing a specific study by two authors to demonstrate that extrinsic rewards can actually increase intrinsic motivation, (Gerald E. Ledford Jr., Barry Gerhart, Meiyu Fang, 2013, P 27- 28). Come to an outcome that rewards clearly tend to increase performance, and this is because they increase total motivation (extrinsic plus intrinsic). Detrimental effects of extrinsic rewards are not inevitable, and appropriate use of rewards can increase intrinsic as well as extrinsic motivation. Negative effects on motivation can be averted systematically by clearly understanding and avoiding the conditions that could create a negative effect. Further, the effects of the reward depend on the social context in which it is provided. If the reward is appropriately implemented, it should enhance, rather than undermine, intrinsic motivation making the incentive affect that much more powerful than if it relies on extrinsic motivation alone. This requires appropriate communication about the importance of the task and the nature of the incentive; specific, meaningful performance goals; appropriate feedback and support from supervisors; selection systems that help sort out those who do not fit the desired culture (and reward strategy) of the organization; and an organizational culture in which incentives are supported by managers and employees. This discussion serves as a reminder that contextual

factors are at least as important to success or failure of reward programs as the technical merits of the programs (Gerald E. Ledford Jr., Barry Gerhart, Meiyu Fang, 2013, P 27- 28).

2.2.1 Reward Systems and Employee Job Satisfaction

Accordingly, Wilson (1994) as cited by Rizwan Q. & Ali U. (2010) explained that employees are definitely closer to their organization as their job can become the major satisfaction in their life after having a proper rewards and recognition at their job. When we look at the association between rewards and employee job satisfaction, various scholars' agree that they have a very strong link. Accordingly, Wilson (1994) as cited by (Rizwan Q. & Ali U. 2010) explained that employees are definitely closer to their organization as their job can become the major satisfaction in their life after having a proper rewards and recognition at their job.

They further explained that recognition is a process of giving an employee a certain status within an organization. This is a very crucial factor towards an employee motivation. Recognition describes how the work of an employee is evaluated and how much the appreciation he receives in return from the organization. It also specifies the way an organization gives its employee the reward and the status for his work and activities. Most financial reward systems have been proved to have a direct relationship with employee job satisfaction. But reward need not necessarily be financial and based on membership of the organization. There are financial and non financial, intrinsic and extrinsic, performance base and membership based reward systems which have a great impact of employees' satisfaction. All this types of reward systems have their own way of contributing to the satisfaction level of employees.

As per the study of Flynn (1998) as cited by Rizwan & Ali, (2010) rewards and recognition programs keep high spirits among employees, boosts up their morale and creates linkage between performance and motivation of employee. Reward is an important factor designed to be given in return to work performed. It has a direct motivation influence on employees' performance. It has basic necessity for any given person to earn living out of something they perform, so employees' basic motivational factor to be hired to perform a certain work is primarily to get financial reward in return to their contribution to the organization.

(Herzberg, 1959) as cited by (Adair, 2004) identified the factors that contribute to job satisfaction and dissatisfaction as the eight 'hygiene' factors which create job dissatisfaction are company policy and administration, supervision, interpersonal relations, salary, status, job

security, personal life and working conditions. Herzberg further identified six ‘motivating’ factors that lead to job satisfaction as achievement, recognition, and possibility of growth, advancement, responsibility and the work itself.

2.2.2 Motivation

Motivation is the force that constantly induces to move and perform things. The most practical definition proposed by social scientist that, motivation is a psychological processes that origin the stimulation, direction, and persistence of behavior (Luthans, 2005). Many authors add a voluntary component or goal directed emphasis to that definition Hellriegel and Slocum, (1976). Thus motivation becomes those psychological procedures that cause the stimulation, direction, and persistence of voluntary actions that are goal directed. The features such as incentives and rewards are the most favored factors for employee motivation programs. However, the performance of employee job satisfaction is an imperative motivator and an arrangement of psychological and environment circumstances Spector 1985, Milne, (2007).

It deals with how money and other types of rewards affect the motivation to work and levels of performance, what creates job satisfaction, and the link between job satisfaction and performance. It therefore influences decisions on how people should be valued, the choice and design of financial rewards and the use of non-financial rewards.

There are two types of motivation as originally described by (Herzberg *et al* 2):

- A. **Intrinsic motivation** – this was defined by Herzberg as ‘motivation through the work itself’. It takes place when people feel that the work they do is intrinsically interesting, challenging and important and involves the exercise of responsibility (having control over one’s own resources), autonomy or freedom to act, scope to use and develop skills and abilities and opportunities for advancement and growth.
- B. **Extrinsic motivation** – what is done to or for people to motivate them? This includes rewards such as increased pay, recognition, praise or promotion, and punishments such as disciplinary action, withholding pay, or criticism.

I. **Expectancy theory**

Expectancy theory is a cognitive process theory of motivation that is based on the idea that people believe there are relationships between the effort they put forth at work, the performance

they achieve from that effort, and the rewards they receive from their effort and performance Vroom, 1964 and Porter and Lawler, (1968).

II. **Goal theory**

It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance In simple words, goals indicate and give direction to an employee about what needs to be done and how much efforts are required to be put in Latham and Locke, (1979).

III. **Equity theory**

(Adams, 1965) - Equity theory is primarily a motivation theory, but it has some important things to say about the causes of satisfaction /dissatisfaction, which states that people will be better motivated if they are treated equitably, and de motivated if they are treated inequitably.

There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated.

The main distinction between content and process theory is that the former provides guidance on what needs should be satisfied by a reward system while the latter indicates how they should be satisfied, especially in pay schemes that are contingent on performance, contribution or skill. In their case, process theory is the most important.

2.2.3 Motivation and Job Satisfaction

The job satisfaction of employee and their motivation to work efficiently is essential for organizations to achieve and sustain themselves if they want to remain competitive and produce products of value. Based on (Herzberg, 2003) motivation-hygiene theory identifies intrinsic motivators (e.g. Achievement, recognition, the work itself) and hygiene factors which tend to be extrinsic factors (e.g. Company administration, supervision, salary). Herzberg's view is that these motivators lead to job satisfaction because they satisfy an individual's need for self-actualization. When employees' enjoyment of their job increases, intrinsic rewards may undermine the extrinsic motivation.

2.2.4 Job satisfaction

The concept of job satisfaction has been defined in many ways. However, the most-used definition of job satisfaction in organizational research is that of (Locke, 1976), who described job satisfaction as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences.

Job satisfaction is the extent to which one is happy with their job hence an employee's willingness to perform at an optimum level Hoffman 2013 and Aziri, (2011), states that there is no agreed upon definition of what job satisfaction is or what it represents; but there is need to consider the nature and importance of the work.

According to (Locke, 1976) defines job satisfaction is, pleasurable or positive emotional state resulting from the appraisal of one's job experiences. What in terms of job satisfaction counts is the attitude of an employee towards his job? Attitude is a point of view of an individual towards an object. The object may be anything, such as, a book, an organization, a boss, a friend or a job. It is a mental state which drives a person to react in a particular way depending upon what goes on in his or her psychological world.

A standout among the frequently referred definitions on job satisfaction is that job satisfaction needs to do with the way how individuals feel about their job and its different perspectives. It needs to do with the degree to which individuals like or abhorrence their job. That is the reason job satisfaction and job dissatisfaction can show up in any given work circumstance (Aziri, 2011).

Job satisfaction is any blend of mental, physiological, and natural circumstances that bring about a man honestly to say I am satisfied by my job (Hoppock, 1935).

Job satisfaction is directly proportional to performance. Greater the job satisfaction, higher will be the employee's performance. Different employees have different perception regarding their job, thus making factors of job satisfaction indefinite. A factor that works for an employee A may not work upon employee B. However, there are some commonly known factors that affect job satisfaction which are described in brief below (Armstrong, 2010).

Due the popularity of job satisfaction within the field of occupational and organizational psychology, various researchers and practitioners have provided their own definitions of what job satisfaction is. However, the two most common definitions describe job satisfaction as: "the

pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values ; and "the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs . (Spector, 1997). This definition suggests job satisfaction is a general or global affective reaction that individuals hold about their job. While researchers and practitioners most often measure global job satisfaction, there is also interest in measuring different "facets" or "dimensions" of satisfaction. Examination of these facet conditions is often useful for a more careful examination of employee satisfaction with critical job factors. Traditional job satisfaction facets include: co-workers, pay, job conditions, supervision, nature of the work and benefits."

In general, most definitions cover the affective feeling an employee has towards their job. This could be the job in general or their attitudes towards specific aspects of it, such as: their colleagues, pay or working conditions. In addition, the extent to which work outcomes meet or exceed expectations may determine the level of job satisfaction. However, job satisfaction is not only about how much an employee enjoys work (Locke, 1976).

From the above discussion and definition of some famous authors about job satisfaction, we can conclude that Job satisfaction is the attitude which feels an employee or worker regarding his job. It may be positive or negative. The condition is totally depended on the person's mind. So, it can be stated as a mental status of a worker too. It is said that in a organization which employees work, their job/task and their view to that job and that organization create many conceptions and expectations in the mind of employees or workers (Armstrong, 2010).

2.2.5 Factors determining Job Satisfaction

There may be several factors determining job satisfaction of employees which an organization may consider to take necessary steps to ascertain positive feelings among employees towards their jobs. Value system possessed by an individual and the culture supporting the value system in the organization can be called as an important and basic for job satisfaction (Kondalkar, 2007), Purcell *et al* (2003) believe that optional behavior which helps the firm to be successful is most likely to happen when employees are well motivated and feel committed to the organization and when the job gives them high levels of satisfaction.

2.2.5.1 The nature of the work

According to (Luthans, 2010), People find it satisfying to do the job they love. When people with right kind of abilities are posted at right job, there are high chances that they are satisfied and happy. For an instance, when a person is doing a job he dislikes, even a small hassle can be irritating and frustrate him. But if similar problem arise while doing a job he loves, he will take it as a challenge and would take it as an achievement to overcome the challenge.

According to (Robbins, 1998), the nature of an employee's work is best defined as the type of work that he does. This can refer to the basic daily tasks that he carries out as part of his job, and it can refer to other non-routine tasks that may be required by the job also. Added together, the characteristics of these tasks comprise the nature of an employee's work. The nature of this work may be summed up in the employee's title.

2.2.5.2 Pay

According to (Luthans, 2010) Payment is another factor that plays vital role in satisfying an employee. An employee who gets right amount of payment according to their job is motivated to continue working. But, when employees are paid inadequately they are dissatisfied with the job and can even discontinue working in a long run. Employees are satisfied when they feel that the rewards they receive from their job correspond to their skills and effort. It is not solely about the amount of money they receive. They are satisfied when they feel that they have been fairly treated and when the rewards they receive are equal to the ones that their colleagues who have the same skills and exert the same effort, receive. As Equity Theory suggests perceived equity payment seems to lead to greater job satisfaction and organizational commitment.

2.2.5.3 Benefits

According to (Doyle, 2016) Employee benefits are optional, non-wage compensation provided to employees in addition to their normal wages or salaries. These types of benefits may include group insurance (health, dental, vision, life etc.), disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, vacation (paid and non-paid), funding of education, as well as flexible and alternative work arrangements typically indirect, non-cash assistance given to an employee. It May be mandated by law, for example social

security, unemployment and workers compensation. These, can vary from firm to firm or industry to industry.

An employee benefits package includes all the benefits provided by an employer. There are some types of employee benefits that are mandated by law, including minimum wage, overtime, leave under the Family Medical Leave Act, unemployment, and workers compensation and disability (Doyle, 2016).

2.2.5.4 Promotion

Employee Promotion is the advancement of an employee through appointing this employee to a position that guarantees a higher salary range than the one this employee is presently assigned to. Along with higher salary, the new position requires the employee to take more responsibilities and perform other more complex duties. Employee promotion often comes as a result of job posting procedures. In a typical organization, decision on promoting an employee is to be made by an immediate supervisor of that employee. Before making the right decision, the supervisor should be certain that the candidate to promotion has all necessary skills and knowledge to comply with requirements of the new position. All achievements the candidate has reached at the current position should be counted well. If the employee has obtained some training, the supervisor should regard this achievement as one more advantage for the candidate to be approved for job promotion (Armstrong, 2010).

Reward structures that provide reasonable and adequate opportunities for employees' contributions to be recognized and rewarded are associated with more positive attitudes about the job Robbins (1998). For an organization, deciding whether or not an employee is ready for promotion can be a challenge. Not all employees may be ready for an appraisal or a promotion due to lack of the length of service, the right number of achievements as well as lack of the needed skills and experience at the given position. A promotion is an important decision since it doesn't only involve change in rank but also more duties and responsibilities and hence must be taken after careful assessment and evaluation of one's skills, performance and several other factors (Robbins, 1998).

2.2.5.5 Supervision

According to (Robbins, 1998) employees feel irritated when they are micro managed and feel detached when they do not receive feedbacks at all. Both the actual and perceived quality of the supervision at work also affects job satisfaction. A good boss should create space for open communication so that employees can share their opinion and problems (if any) with their superiors. Attachment with the company is really necessary for employees to feel satisfied with their job.

2.2.5.6 Work relation

Work relationships that affect employee retention include supervisory management support and coworker relations, A supervisor or manager builds positive relationships and aids retention by being fair and nondiscriminatory, allowing work flexibility and work-family balancing, giving feedback that recognizes employee efforts and performance, and supporting career planning and development (Robins ,1998).

2.2.6 Application of Job Satisfaction in the Workplace

According to Syptak, Mars land, and Ulmer, (1999), Job satisfaction is increasingly becoming important in the workplace. Employers now recognize that the "happier" their employees are, the better will be their attitudes towards the work, the higher their motivation and the better will be their performance. More over they want feel respect and trust, while working in a safe environment, with good pay and opportunities to advance

Job satisfaction in any field of work depends a lot on how conducive the work environment is. The work itself, the pay and the scope for promotion are only some of the factors which have an impact on job satisfaction.

2.2.6.1 Company Policies

In order to increase efficiency, effectiveness, productivity and job commitment of employees, the business must satisfy the needs of its employees by providing good working conditions and applied Policies that are clear, fair and equally. Customer satisfaction is most essential part for any service providing organization but if your employees are not satisfy then you cannot satisfy your external customers (George, 1986).

2.2.6.2 Salary/Benefits

Understand your employee salaries and benefits are comparable to other organization salaries and benefits will help raise satisfaction. If a company wishes to produce a competitive product they must also offer competitive wages. In addition, this can help reduce turnover, as employees will often be more satisfied when paid competitive wages as opposed to being underpaid.

2.2.6.3 Social Relations

A firm can increase its productivity through the improvement of physical dimensions of work environment (internal climate) and may have a positive impact on firms' productivity (Buhai, Cottini, & Nielseny, 2008). Co-worker relationships may also benefit the organization as a whole; given that, teamwork is a very important aspect of organization productivity and success.

Moreover, having good communication and relationship among peers are allowed to develop work relationships they care more about pulling their own interest and respect each other.

2.2.6.4 Working Conditions

According to (Spector, 1997) observed that most businesses ignore the working environment within their organization resulting in an adverse effect on the performance of their employees. According to him, working environment consists of safety to employees, job security, good relations with co-workers, recognition for good performance, motivation for performing well and participation in the decision making process of the firm. He further elaborated that once employees realize that the firm considers them important, they will have high level of commitment and a sense of ownership for their organization.

2.2.6.5 Achievement

Every people work with a motive; the motive to achieve something. Whether the achievement is intrinsic or extrinsic, it plays a vital role as in satisfying people. If a person continuously puts in efforts but does not get any achievement, he is de motivated to work and is dissatisfied with the job (Luthans, 2010).

2.2.6.6 Recognition

A meaningful, thoughtful employee appreciation program is about valuing employees' efforts and having respect for who they are and what they do (Hart, 2011). According to Long and Shields, (2010), recognition can be categorized into formal or informal, cash or noncash, and individual or collective. Positive and constructive feedback boosts an employee's morale and keeps them working in the right direction.

2.2.6.7 Autonomy

People feel satisfied with the job when they and their opinion and works are valued by the company. When company gives them right to take nominal decisions, employees can make better output, rather than while they work under control.

2.2.6.8 Advancement

Allowing employees, who move upward or laterally have an obligation to their employers to prove they are worthy of the promotion or demonstrate their skills with another employer. A new title and sense of responsibility can often increase job satisfaction in an employee.

2.2.6.9 Job Security

Job security provides workers with a much-needed sense of structure. People want to know their job is available for as long as they wish to hold it. When job security decreases, satisfaction and performance levels also take a hit (Harris, 2013). Giving an employee the assurance that their job is secure will most likely increase job satisfaction.

2.3 Work-life Balance Practices

Work and Life have been rather loosely defined in literature (Guest, 2002) where work is paid employment and life is everything outside of the formal employment but is usually used to denote the realm of family or home life (Ransome, 2007).

2.4 Empirical Review

After considering theories that bear on the impact of extrinsic rewards on intrinsic motivation and discussing a specific study by two authors to demonstrate that extrinsic rewards can actually increase intrinsic motivation, come to an outcome that rewards clearly tend to increase performance, and this is because they increase total motivation (extrinsic plus intrinsic).

Detrimental effects of extrinsic rewards are not inevitable, and appropriate use of rewards can increase intrinsic as well as extrinsic motivation. Negative effects on motivation can be averted systematically by clearly understanding and avoiding the conditions that could create a negative effect. Further, the effects of the reward depend on the social context in which it is provided. If the reward is appropriately implemented, it should enhance, rather than undermine, intrinsic motivation making the incentive effect that much more powerful than if it relies on extrinsic motivation alone.

This requires appropriate communication about the importance of the task and the nature of the incentive; specific, meaningful performance goals; appropriate feedback and support from supervisors; selection systems that help sort out those who do not fit the desired culture (and reward strategy) of the organization; and an organizational culture in which incentives are supported by managers and employees. This discussion serves as a reminder that contextual factors are at least as important to success or failure of reward programs as the technical merits of the programs (Gerald E. Ledford Jr., Barry Gerhart, Meiyu Fang, 2013, PP 27-28).

In their study of investigating the effects of rewarding the attainment of constant versus progressively demanding performance standards on measures of intrinsic motivation, So founded that people who are rewarded for meeting progressively demanding performance standards on an activity spend more time on the activity in a free-choice situation than those who are rewarded for attaining a constant level of performance or than those who are not rewarded for meeting performance standards. In other words, rewarding individuals for meeting a graded level of performance increases their intrinsic motivation (W. David Pierce, Judy Cameron, Katherine M. Banko, and Sylvia So, 2003, P 573). Dow Scott and Tom McMullen, (2010) discovered that base pay and benefits had the overall weakest relationship with the organization's ability to foster high levels of employee motivation compared to incentives, intangible rewards and quality of leadership on engagement. Quality of leadership had the strongest relationship with effectively motivating employees. As a result, compensation professionals should use pay packages to attract leaders who have demonstrated their ability to engage employees and think in terms of total rewards and not just financial rewards. Develop employee engagement resources that are directed toward work environment or organization climate, work-life balance and the nature of the job and quality of the work, and career opportunities. Tahira Nazir, Saif-Ur-Rehman Khan,

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

Further, research by Hafiza, Shah, Humera Jamsheed, (2011) as cited in (Belay 2013) indicate that there is significant and positive relationship between extrinsic rewards and employee motivation but organizations are not offering right amount of financial rewards (extrinsic rewards) to their employees. Pay is a significant factor which affects employee motivation. Added, study by (Ali and Mohammed, 2012) as cited in (Belay, 2013) pointed out that there is positive impact of financial rewards on employee's motivation and satisfaction. That is, financial rewards lead to employee's motivation. It is also discovered that new entrants in to an industry are highly motivated and the working conditions, environment and superior's behavior plays a vital role in determination of their satisfaction level

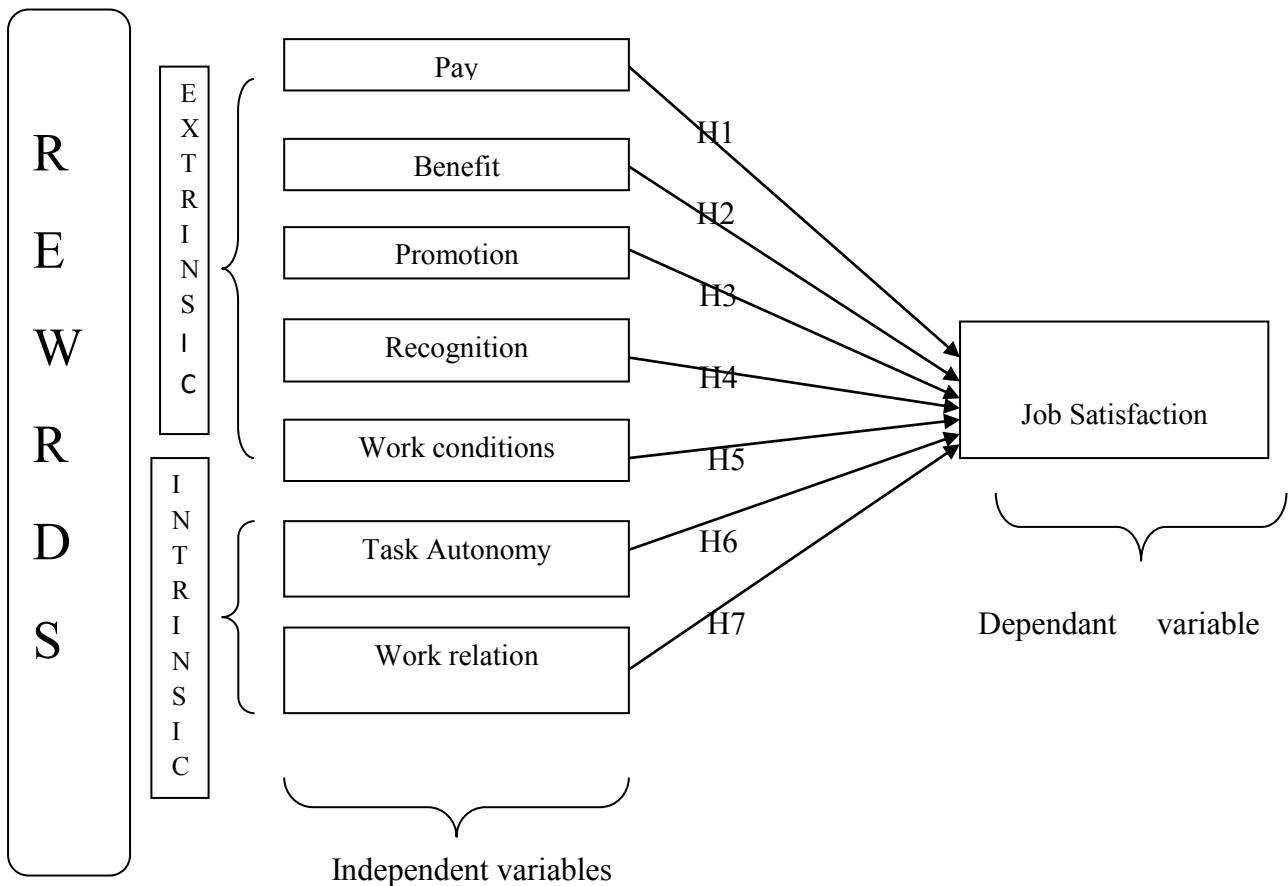
All the above studies have dealt with reward practices and their impact on work motivation, employee performance and employee satisfaction. The studies found that rewards generally have positive impacts. However, the results vary when seen in terms of magnitude by which they affect employee performance and employee satisfaction and motivation. As the needs of human beings vary significantly, the extent by which their motivation affected by one reward type to the other varies significantly.

2.5 Conceptual Framework of the study

After the study of literature review, the following conceptual model is formulated to show the effect of rewards (intrinsic & extrinsic rewards) on employee motivation basing Herzberg's two-factor theory. Variables a variable refers to a characteristic or attribute of an individual or an organization that can be measured or observed and that varies among the people or organization being studied (Creswell, 2004)). Independent Variables Are variables that (probably) cause, influence, or affect outcomes. They are also called treatment, manipulated, antecedent, or predictor variables Dependent Variables Are variable that depend on the impendent variables; they are the outcomes or results of the influence of the independent variables. Other names for dependent variable are criterion, outcome, and effect variables.

In this study overall job satisfaction is considered as a dependent variable and intrinsic and extrinsic rewards are taken as independent variables. Within intrinsic variable are; work content, personal, general and within extrinsic variables are; Payment, Employee benefits, Recognition, Promotion, task autonomy, working relation and Work condition. The relations of these variables are supported on the basis of review of literatures.

Figure 2.1 Conceptual Frameworks



Source: (De Bear, 1987)

CHAPTER THREE

RESEARCH DESIGN AND METHODS

This chapter provides the research methods employed to conduct the study. Accordingly, this chapter presents research design and technique, data type and source, total population, sampling design technique, method of data collection, data processing & analysis, pilot survey, Validity & Reliability and Ethical consideration. Zikmund, Babin, Carr and Griffin, (2010) describe a research methodology as a part that must explain technical procedures in a manner appropriate for the audience. It achieves this by addressing the research and sample designs that will be used for the study, the data collection and fieldwork conducted for the study and the analysis was done to the collected data. (Dawson, 2009) states that research methodology is the philosophy or general principle which guides the research. Kombo and Tromp, (2009) concur with (Zikmund et al, 2010) that research methodology deals with the description of the methods applied in carrying out the research study.

3.1. Research Design

A research design is the program that guides the researchers in the process of collecting, analyzing and interpreting the data. The primary aim of this study is the effect of reward practice on job satisfaction. To achieve this objective, descriptive type of research design with a quantitative approach was employed.

(Orodho, 2003) and Kothari, 2004), describe a descriptive survey design as a design that seeks to portray accurately the characteristics of a particular individual, situation or a group. The rationale for the choice of descriptive survey method is the fact of this study that the descriptive studies are used in order to describe and interpret the trend of events that exists (Creswell, 2003). (Lavrakas, (2008), describes a descriptive survey research design as a systematic research method for collecting data from a representative sample of individuals using instruments composed of closed-ended questions. So that, in this study the descriptive survey research design is employed to process the data to see the effectiveness of reward practice on job satisfaction. Also, based on the purpose, this study is a descriptive survey method in nature because, this type

of method has been conducted to provide detail description about the existing phenomena and to justify current condition with the intent of employing data and whenever possible to draw conclusion from the fact discovered (Kothari, 2004).

The quantitative approach when used in isolation (Creswell, 2003). Therefore, by using a mixed approach, it is able to capitalize the strength of quantitative and qualitative approach to remove any biases that exist in any single research method. Explanatory research looks for causes and reasons (Krueger and Neuman, 2006), (Zegeye et al, 2009), cited by, Solomon A. it's a good description provokes the 'why' questions of explanatory research. Therefore, to show the relation between variables explanatory research method has been used. The research strategies are good way of approaching issues as it enabled to respond and triangulate evidences. Cross sectional survey research method is a study in which various segments of population are sampled at a single point in a time (Zikmend, 2003).

3.2. Area of study

The study was conducted at Abay Bank S.C at 10 branches of Addis Ababa. For the purpose of this study the population of the study was employees of the bank that comprised of senior executives, Directors, Division Managers, Branch Managers/Section Heads, Senior Officers/CSM, Officers and Junior Staffs'. The mentioned population was chosen because they were the targeted group of this study and key informant for the success of this study. Thus, the study is limited to the employees of the bank who are found at Addis Ababa only.

3.3. Population and Sample Size Determination

The total population of the study was 600 during the study period-2017. To select the representative samples from the total population, a probability sampling method was used based on the following formula (Kothari, 2004).

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

$$n = \frac{1.96^2}{0.05^2} \frac{(0.5)(0.5)(600)}{(600-1) + 1.96^2(0.5)(0.5)} = 170$$

Where, n=sample size

p=proportion of the population containing the major interest

q=1-p

z = number of standard deviation at a given confidence level ($\alpha= 0.05$),

e = acceptable error (precision) and

N is the total population size

Thus, samples of **170** respondents were selected through simple randomly sampling for the survey.

3.4. Data Collection Tools

Data for this study was collected from two sources: primary and secondary. The study mainly used the primary data. The primary data are basically opinions of the respondents on various aspects concerning the types of reward practice and the allied determinants of satisfaction at Abay Bank S.C. The instrument for data collection is the self-administered type of questionnaires.

But, before data collection exercise, questionnaire pre-testing was done. A purposely selected 30 individuals are chosen to respond to the questionnaire as pilot-survey test in order to check the reliability and validity of the items included in the questionnaire. The result is shown in the following sub-section.

3.5. Validity and Reliability test

Validity

Validity is the extent to which differences found with a measuring tool reflect true differences among respondents being tested. The purpose of validity in the study has been to seek relevant evidence that confirms the answers found with the measurement device which is the nature of the problem. The items are revised and improved according to the employee's, expertise and advisors.

Validity - refers to the degree to which available evidence supports inferences made from scores on selection measures.

Content validity - confirming the fact that the items measure the content they were intended to measure. Related with this research, efforts by authors (subject matter experts) to establish validity was done and they confirmed the instrument was valid.

Reliability

The reliability of the scale which is how the collected data is free from random error was checked. Collected data is worthwhile only if they are recorded in accurate ways. For any measurement to be valid, it must first demonstrate reliability Frey, Botan, and Kreps, (2002). Cronbach's alpha is a statistic. It is generally used as a measure of internal consistency or reliability of a psychometric instrument. In other words, it measures how well a set of variables or items measures a single, one-dimensional latent aspect of individuals.

In order to be reliable, using SPSS result, the Cronbach's alpha should exceed the threshold of .70. This indicates that there was a high degree of internal consistency amongst the test items. (Streiner, Norman, 1989) New York: Oxford University Press (pages 64-65).As a result, Cronbach's alpha which is a measure of internal consistency of the items included in the questionnaire showed a satisfying reliability, above the 70% as indicated in the table below.

Table: 1 Reliability Statistics

Cronbach's Alpha	N of Items
0.948	35

Source: Own survey 2017(SPSS)

This indicates that there was a high degree of internal consistency among the test items

3.6. Data Analysis Methods

Data analysis refers to the computation of certain measures along with searching pattern of relationship that exist among data group. In data processing, after collection of data, the questionnaires were edited to determine the degree of response and the number of usable questionnaires. The data were coded and then entered into a computer data sheet for analysis.

The data analysis was done in the computer application known as, the Statistical Package for Social Sciences (SPSS) whereby the results are presented in the form of tables, bar graphs and pictures. The descriptive statistics analysis as well as the inferential model was applied.

3.7. Model Specification and Description of Study Variables

Linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey, 2005). In this study multiple regressions was employed. Multiple regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores (Adams, 2007). They added multiple regression analysis, which means more than one predictor is jointly regressed against the criterion variable. This method is used to determine if the independent variables will explain the variance in dependent variable.

Therefore, the equation of regressions on this study is generally built around two sets of variables, namely dependent variable (Overall job satisfaction/ Y_i) and independent variables (pay system / X_1 /, Benefit / X_2 /, Promotion/ X_3 /, recognition/ X_4 /, task autonomy / X_5 /, working relation / X_6 /, and working condition / X_7 /). The basic objective of using multiple regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables. That is it is primarily used to identify the effect of major determinant factors of reward practice on the overall job satisfaction in Abay Bank S.C.

Accordingly, the regression equation on the above variables can be stated as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_i$$

Where:

Y is the response or dependent variable- overall job satisfaction

X1= pay system, X2= Benefit, X3= Promotion, X4= recognition, X5= task autonomy, X6= working relation, X7= working condition, E_i=Error term

3.8. Ethical Consideration

The study will be conducted by considering ethical responsibility. It will be includes providing information to the respondents the purpose of the study and the use of the information as well. Information gathering will be held in strict confidentiality by the researcher Respondents' anonymity is kept so that participants will feel free and safe to express their ideas.

CHAPTER FOUR

DATA PRESENTATION AND INTERPITATION

Demographic characteristics of the respondents, analyses and interpretation based on the data collected from the respondents of the study area about assessing the effects of reward practice on employee job satisfaction: the case of Abay Bank S.C are presented in this chapter. Moreover, summarized results of the demographic profile of respondents and the response towards the items included in the questionnaire as well as descriptive statistics were described, analyzed and synthesized in tables, percentage and charts with the help of Statistical Package for Social Science (SPSS) Version 20.

4.1. Demographic Profile of the Respondents

In this sub-section, demographic characteristics including: gender, work experience, educational background, and current job position response are summarized using frequencies and percentages.

<i>4.1 Biographical Information of Respondents</i>			
ITEMS	SCALE	FREQUENCY	PERCENT
GENDER	MALE	93	62
	FEMALE	57	38
		150	100
POSITIONS	MANAGERIAL	29	19.33
	NON MANAGERIAL	121	80.67
		150	100
AGE	18 to 30	47	31.3
	31 to 45	81	54.0
	45 to 60	22	14.7
	Total	150	100.0

EDUCATION	Diploma	20	13.3
	First Degree	76	50.7
	Master's Degree	51	34.0
	Above Masters	3	2.0
	Total	150	100
WORK EXPERIENCE	1 to 2 years	6	4.0
	2 to 3 years	28	18.7
	3 to 4 years	51	34.0
	4 to 5 years	23	15.3
	5 to 6 years	24	16.0
	Above 6 years	18	12.0
	Total	150	100.0

Gender

The above table indicates that, the above shows that the gender distribution of the selected sample. There were large number of male respondents (n=93, which is 62% of the sample (n=150) and the female respondents (n=57) comprise 38% of the sample. And also the table indicates that current positions, 19.3(n=29) were placed in the managerial position whereas, 80.7 % (n=121) were placed in the non-managerial position

Age

The majority of the respondents (54%, n=81) were between the ages of 31 and 45 years old. While 31.3% or n=47 of the respondents were between the ages of 18 to 30 years old. Similarly, respondents whose age lies between 45 and 60 years were 14.7% or n=22 of the total responses. This shows that the majority of the employees in Abay bank were young and middle age. Therefore, the majority employees were within the productive age.

Education Level of Respondents

The above table shows that the educational qualification of sample respondents. A majority of respondents (n=76, 50.7%) held first degree. Respondents with a master's degree account for 34 % or n=51, respondents with a diploma account for 13.3% or n=20. The remaining small number of respondents (n=2) had third degree (PhD).

Working of Experience

As it can be seen in the above table, the majority (n=51, 34 %) of the respondents had work experience from 3 to 4 years, 18.7% (n=28) of respondents had work experience from 2 to 3 years , 16%(n=24) of respondents had work experience from 5 to 6 years, 15.3(n=23) of respondents had work experience from 4 to 5 years and 12%(n=18) of the respondents had work experience above 6 years and 4%(n=6) had work experience from 1 to 3 years respectively.

4.2. Descriptive Statistics Analysis

In this part, descriptive statistics, in the form of mean and standard deviation, were presented to illustrate the level of agreement of the respondents with their implications of the Abay Bank. The responses of the respondents for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1-1.8= Strongly Disagree, 1.81–2.6 = Disagree, 2.6 –3.4= Neutral, 3.4 –4.20= Agree and 4.2 –5 = Strongly Agree (Best, 1977, as cited by Yonas, 2013).

Table 4.2. **Mean and Standard Deviation of Pay**

	N	Mean	Std. Deviation
The pay system is visibly communicated to you	150	3.85	.460
My salary is satisfactory in relation to the job I do	150	3.89	.442
I earn the same salary with others doing the same job in the bank	150	3.87	.482
Pay scale of the bank treats everyone equally	150	4.13	.594
There is fair salary increment	150	4.01	.573
Cumulative of Pay		3.95	.400
Valid N (list wise)	150		

The above table conceptualize that, The pay system is visibly communicated to you has scored a mean and standard deviation of (3.85 and 0.460), My salary is satisfactory in relation to the job I

do has scored a mean and standard deviation of(3.89 and 0.442), I earn the same salary with others doing the same job in the bank has scored a mean and standard deviation of (3.87 and 0.482), Pay scale of the bank treats everyone equally has scored a mean and standard deviation of (4.13 and 0.594), There is fair salary increment has scored a mean and standard deviation of(4.01 and 0.573). The cumulative mean of pay indicates that the payment towards its employees is moderately agreed and the bank has to work with the pay system.

Table 4.3. **Mean and Standard Deviation of Benefit**

	N	Mean	Std. Deviation
The benefit I receive are as good as other banks offer	150	4.10	.373
The benefit package we have is equitable	150	4.13	.559
I am satisfied with long term benefit and insurance policies of the company	150	4.07	.473
There are few rewards for those who work here	150	4.05	.502
Cumulative of Benefit		3.83	.347
Valid N (list wise)	150		

The benefit I receive are as good as other banks offer has scored a mean and standard deviation of (4.10 and 0.373), The benefit package we have is equitable has scored a mean and standard deviation (4.13 and 0.559), I am satisfied with long term benefit and insurance policies of the company has scored a mean and standard deviation of (4.07 and 0.473), There are few rewards for those who work here has scored a mean and standard deviation of (4.05 and 0.502). The above cumulative result shows that, employees of the Abay bank are moderately agreed with respect to the benefit of the bank.

Table 4.4. **Mean and Standard Deviation of Promotion**

	N	Mean	Std. Deviation
There exist an opportunity for promotion in the bank	150	4.16	.479
Staffs are promoted in a fair and transparent way	150	4.09	.612
I am satisfied with promotion system of the bank	150	3.99	.366
Criteria for promotion is acceptable to me	150	3.90	.474
Promotion is very important to improve my work motivation	150	4.38	.587
Cumulative of Promotion		4.10	.379
Valid N (list wise)	150		

There exist an opportunity for promotion in the bank has scored a mean and standard deviation of(4.16 and 0.479), Staffs are promoted in a fair and transparent way has scored a mean and standard deviation of (4.09 and 0.612), I am satisfied with promotion system of the bank has scored a mean and standard deviation of(3.99 and 0.366), Criteria for promotion is acceptable to me has scored a mean and standard deviation of(3.90 and 0.474), Promotion is very important to improve my work motivation has scored a mean and standard deviation of(4.38 and 0.587). The cumulative mean shows that, the Abay bank employees are near to the agreement level and this infers that promotion of the given bank is working with regard to the promotion. Therefore, this shows that employees in Abay bank are promoting and the bank have to work with promotion for better level of promotion.

Table 4.5. **Mean and Standard Deviation of Recognition**

	N	Mean	Std. Deviation
I am given a written appreciation letter for my good work	150	4.05	.548
I usually acquire acknowledgement for the work done by me	150	4.13	.522
I am ready to accept constructive criticism regarding my work	150	4.03	.424
I am praised regularly for my good work	150	4.03	.491
I receive feedback on making progress	150	4.03	.477
Cumulative of Recognition	150	4.09	.407
Valid N (list wise)	150		

I am given a written appreciation letter for my good work has scored a mean and standard deviation of(4.05 and 0.548), I usually acquire acknowledgement for the work done by me has scored a mean and standard deviation of(4.13 and 0.522) , I am ready to accept constructive criticism regarding my work has scored a mean and standard deviation of(4.03 and 0.424), I am praised regularly for my good work has scored a mean and standard deviation of(4.03 and 0.491), I receive feedback on making progress has scored a mean and standard deviation of (4.03 and 0.477). The cumulative of recognition with regard to the Abay bank are moderately agreed and this shows that employees of the bank are in the position of somehow agreed. From this the researcher concludes that, Abay bank is giving the recognition towards its employees and the bank has to do with recognition in order to enhance the recognition of its employee.

Table 4.6. **Mean and Standard Deviation of Task Autonomy**

	N	Mean	Std. Deviation
I have a chance to work alone on the job	150	4.11	.507
There is a sense of responsibility in my work	150	4.13	.468
I am allowed to decide on the methods to perform my work	150	4.03	.497
I am completely independent when I perform my work	150	4.41	.592
I have part in decision making process	150	3.78	.674
Cumulative of Task Autonomy	150	3.93	.297
Valid N (list wise)	150		

I have a chance to work alone on the job has scored a mean and standard deviation of(4.11 and 0.507), There is a sense of responsibility in my work has scored a mean and standard deviation of(4.13 and 0.468), I am allowed to decide on the methods to perform my work has scored a mean and standard deviation of(4.03 and 0.497), I am completely independent when I perform my work has scored a mean and standard deviation of(4.41 and 0.592), I have part in decision making process has scored a mean and standard deviation of(3.78 and 0.674).

Table 4.7. **Mean and Standard Deviation of Working Relation**

	N	Mean	Std. Deviation
I am satisfy the way my boss handless his/her employees	150	3.87	.444
I will not be terminated without good cause	150	3.99	.441
I have a chance to develop close friendship with my co-workers	150	3.94	.371
Cumulative of Working Relation	150	4.12	.390
Valid N (list wise)	150		

I am satisfy the way my boss handless his/her employees has scored a mean and standard deviation of (3.87 and 0.444), I will not be terminated without good cause has scored a mean and standard deviation of (3.99 and 0.441) and I have a chance to develop close friendship with my co-workers has scored a mean and standard deviation of (3.94 and 0.371). The above cumulative result conceptualize that, the working relation of Abay bank employees are in the position of somehow agreed and this indicates that, Abay bank is to some extent works with regard to the working relation. Therefore Abay bank has to work to have better working relation among its employees.

Table 4.8. **Mean and Standard Deviation of Working Condition**

	N	Mean	Std. Deviation
When I have questions or concerns my supervisor is able to address them	150	4.07	.450
My working hours are reasonable	150	4.10	.502
All the necessary resources for work are available	150	4.14	.464
I have good communication with my co workers	150	4.15	.536
I am free to be with my colleagues	150	4.18	.506
The level of support that I receive from my supervisor in performing my work is good	150	4.09	.523
Cumulative of Working Condition	150	3.92	.400
Valid N (list wise)	150		

When I have questions or concerns my supervisor is able to address them has scored a mean and standard deviation of(4.07 and 0.450), My working hours are reasonable has scored a mean and standard deviation of (4.1 and 0.502), All the necessary resources for work are available has scored a mean and standard deviation of (4.14 and 0.464), I have good communication with my coworkers has scored a mean and standard deviation of(4.15 and 0.536), I am free to be with my colleagues has scored a mean and standard deviation of(4.18 and 0.506), The level of support

that I receive from my supervisor in performing my work is good has scored a mean and standard deviation of(4.09 and 0.523). The cumulative of the working condition implies that, employees of Abay bank were somehow agreed. Therefore, this indicates that, Abay bank has to do with healthy working condition.

Table 4.9. **Mean and Standard Deviation of Job Satisfaction**

	N	Mean	Std. Deviation
I am generally satisfied with my organization	150	3.94	.421
Management tries their best to ensure that employees will not leave form the bank	150	3.91	.496
Cumulative of job satisfaction	150	3.92	.917
Valid N (list wise)	150		

The above table indicates that, I am generally satisfied with my organization has scored a mean and standard deviation of (3.94 and .421), Management tries their best to ensure that employees will not leave form the bank has scored a mean and standard deviation of(3.91 and .496). This indicates that employees are moderately satisfied with regard to the job satisfaction.

Correlation Analysis

In order to assess the association among the indicators of the reward practice and overall satisfaction, the following correlation matrix is used. The correlation measurement that is applied here is the Pearson correlation coefficient with its associated sig. values (p-values).

Table: 4.10 A) Correlation Matrixes

		Overall Satisfaction
Pay System	Pearson Correlation	.591**
	Sig. (2-tailed)	.000
	N	150
Benefit	Pearson Correlation	.566**
	Sig. (2-tailed)	.000
	N	150
Promotion	Pearson Correlation	-.530**
	Sig. (2-tailed)	.000
	N	150
Recognition	Pearson Correlation	.685**
	Sig. (2-tailed)	.000
	N	150
Task Autonomy	Pearson Correlation	-.648**
	Sig. (2-tailed)	.000
	N	150
Task Relation	Pearson Correlation	.475**
	Sig. (2-tailed)	.000
	N	150
Working Conditions	Pearson Correlation	.519**
	Sig. (2-tailed)	.000
	N	150

The above correlation matrix shows that all of the independent variables except promotion and task autonomy have a positive and significant correlation (sig. value of 0.000) with the dependent variable: job satisfaction. Like the regression result, the correlation result shows that recognition has a strong and positive association with job satisfaction with a Pearson correlation

of 0.685 at 1% level of significance. The second and third highly correlated variables with job satisfaction are payment system (with 0.591 at 1% level of significance) and benefit (with 0.566 at 1% level of significance).

In general, the above correlation result reveals that there is high degree of association among the indicators of reward practice variables and overall job satisfaction. Again, from this correlation result it is found that promotion and task autonomy have a negative association with the overall job satisfaction while pay system, benefit, recognition, task relation, and working conditions have a positive and significant relationship with the overall job satisfaction at Abay Bank S.C.

4.3. Multiple Regression and Correlation Analysis

In this study the researcher has also tried to investigate the impact of reward practice on employee job satisfaction. In addition to this, it also tries to look into the correlation/association among the determinant variables of reward practice and employee job satisfaction.

4.4. Regression analysis

In this study multiple regressions is employed. The basic objective of using multiple regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables. That is, it is primarily used to identify the major determinants of reward practice that affects employee job satisfaction at Abay Bank S.C.

The regression result is indicated here under:

Table 4.11: B) Regression coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t
	B	Std. Error	Beta	
1 (Constant)	.544	.339		1.605
Pay system	.166	.084	.166	2.963
Benefit	.036	.078	.034	3.467
Promotion	-.066	.096	-.062	-2.681
Recognition	.300	.095	.277	3.152
Task Autonomy	-.470	.100	-.478	4.690
Task Relation	.019	.104	.014	2.187
Working Conditions	.053	.086	.051	5.611

a. Dependent Variable: Overall satisfaction

Source: SPSS output

The above regression result shows that all the independent variables except promotion and task autonomy positively and significantly affect the dependent variable: job satisfaction. From the un standardized B column it can also be seen that recognition is found to be the major determinant of job satisfaction (with B=0.300) followed by pay system & benefit .This shows that giving recognition to the employees say in terms of appreciating the work done by the employees through offering of a recognition letter, as well as acknowledging what they did for the bank all can make them highly satisfied on their job. Also the payment that these employees get from the bank is also found as the main determinant factor that affects their job satisfaction level. In addition to this, the regression result has also revealed that every fringe benefits that the bank offers to the employees such as bonuses, gifts and insurance benefits contributed a lot to enhance the motivation of the employees and hence to get more satisfied with their job. However, the coefficient for promotion and task autonomy show that at Abay Bank S.c since employees are given less chance to promote themselves as well as the low level of employees' involvement in decision making has made them to be dissatisfied.

Therefore, from these results it is possible to reject the stated null-hypothesis and accept the alternative hypothesis and hence conclude that pay , benefit , recognition , working relation, and working conditions have positively affect the overall level of satisfaction on the employees of Abay Bank S.C. However, the promotion and task autonomy are found to have a negative impact on the overall level of satisfaction. Statistically this is attested by a t-value which is greater than /2/ and a significant level of less than 0.10 for all the coefficients of the included independent variables. The coefficient of determination value ($R^2=0.835$) also confirms that the dependent variable (overall satisfaction) is 83.5% explained by the above mentioned independent variables.

4.5.Model Summary

The process of designing a data model begins with identifying necessary data and the relationships among components of that data. The structure of a data model can be described in different form, such as relational model, object-oriented model, and hierarchical structure. This section briefly reviews some popular data modeling approaches.

Table 4.12. **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.744 ^a	.835	.535	.273	.554	29.609	6	143	.000

Table shows that all independent variables Pay, benefit, promotion, recognition, work relation, working condition and task autonomy accounted for 83.5% of the contribution to job satisfaction ($R^2 = .835$). Thus, 83.5% of the variation in job satisfaction can be explained by the seven different reward practice and other unexplored variables or factors may limit the contribution of reward practice on job satisfaction by accounting for about 16.5%.

4.5. Equation One:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + E$$

$$Y_i = 0.544 + 0.166X_1 - 0.34X_2 - 0.62X_3 + 0.277X_4 - 0.478X_5 + 0.014X_6 + 0.051X_7 + E_i$$

4.6. ANOVA Analysis

Table 4.13. **ANOVA^b**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.224	6	2.204	29.609	.000 ^a
	Residual	10.644	143	.074		
	Total	23.868	149			

The study tried to see the existence of Reward practice Abay bank private bank. ANOVA analysis, above table indicated that there is statistically significant difference in Abay private bank on reward practice because of the ($P < 0.05$).

4.7. Hypothesis results

Table 4.14. Hypothesis results

Null hypothesis	p-value	Results
Pay system	.166	Rejected
Benefit	.036	Rejected
Promotion	-.066	Accept
Recognition	.300	Rejected
Task Autonomy	-.470	Accept
Task Relation	.019	Rejected
Working Conditions	.053	Rejected

CHAPTER FIVE

SUMMARY of FINDINGS, CONCLUSION AND RECOMMENDATION

5.1. Summary of Findings

The researcher has come up with the following findings. The largest proportion of the employees was composed of males with an age group that belongs to a matured age group who are considered to be responsible and committed for the duty they are assigned to work in. Most of them were found having first degree that is at least able to understand and explain clearly the association between a reward practice of an organization and job satisfaction. The years of experience on the job is also found important in unveiling employees' exposure for different kinds of reward practices in the bank. The job status of the study showed that Non-managerial position holds the lion's share of the bank and the large majority of the employees are paid more than an average monthly salary which will in turn is found having a positive impact on their job satisfaction. Also the paying system in the bank is found to be fair and relatively higher than the competitor banks and the employees are found being satisfied with the long term and insurance policies of the bank. This shows that the bank is able to keep the interest of the workers by offering a non-monetary benefit as well.

The study has also shown that even if there is no transparent and fair promotion system across the employees within the same bank, still they believe that promotion is very important to them to improve their work motivation. However, the bank is found to use unacceptable criteria to promote its employees.

However, the bank is found to recognize its employees for their contribution and role in their respective job in terms of acknowledging their accomplished tasks by giving them recognition letter and oral appreciation. The employees are bestowed with a minimum role in deciding on job related matters and there is a smooth and good employee to employee and employee to boss relationship within the bank.

Regarding the working environment it is found that the working condition so comfortable that the employees are well satisfied with the situation.

In the regression and correlation results it is also found that recognition is seen as the major determinant of job satisfaction in Abay Bank S.C followed by pay system & benefit. However, the result of the study indicated that promotion and task autonomy measurements of reward practice have got a less impact on the overall job satisfaction of the employees. This is due to the fact employees are given less chance to promote themselves and they are assumed to have a little role to participate in the decision making process of many tasks.

In general the employees of Abay Bank S.C are well satisfied with the reward system of the bank. This is may be due to the above mentioned factors/ employee rewarding systems that have finally made them to be well motivated on their job.

5.2. Discussions

The purpose of study was to investigate the effect of rewards on employee job satisfaction. The results are quite according to our hypotheses. Although all dimensions of rewards and job satisfaction are related but pay, benefits, task autonomy, working condition have moderate mean values as compared to other dimensions. This shows that employees are moderate satisfied with their salaries and benefits. On the other hand, when they have sufficient promotional opportunities their relationship with co- workers are friendly, they are paid for what they work, and they find their job secured, their supervisors are cooperative and they feel that they can grow living within the organizations, than their level of satisfaction is very high.

The mean value of working Relation ($M=4.12$) is higher than the other values This means that, if an employee does have good working relation at job then he will expects his satisfaction level remains high. When Pearson Product Moment Coefficient Correlation was calculated purposely for determining the relationship between different dimensions of rewards along its relationship with job satisfaction it was found very interesting results. Although the relationship is strong in case of Recognition, Pay, Benefits, Working Conditions and the relationship between Working relations and job satisfaction has less/moderate significance but the relationship between promotion, task autonomy and job satisfaction has no significant. Even if working relation has higher mean value, which implies employee's satisfaction was highly due to their relationships between coworkers and supervisors but it is moderately correlated with job satisfaction.

The values of Correlation Coefficient in case of significant relationship vary from lowest - 0.648** to highest 0.685**. The lowest value corresponds with promotion while highest value is for recognition. This is due to the fact that there are socio-cultural issues that hinder in the way of employees productive aspects of life and they feel difficulty in performing duties alone or away from others. A very strong reason complimenting that recognition are highly related with job satisfaction of employees was the cost of living is quite high that's why most employees give much attention towards attractive recognition.

5.3. Conclusion

Based on the major findings of the study, the researcher is able to conclude the following main points.

The aim of the study was to explore the effect of reward practice on job satisfaction. Except recognition and task autonomy the analysis has shown a close relationship between both dimensions of reward variables and employee job satisfaction. The result of this study suggests that both Intrinsic and Extrinsic rewards are important factors that banks need to focus to keep employees satisfied. Unsatisfied employees are subject to lower performance or even worse to leave organizations. As the employees stated, most of the factors they considered to leave the banks are for the reason of reward they are not satisfied with or for better reward offer from another organization. Even though majority of employees rate reward variables as satisfied, the mean value for the variables indicates employees are unsatisfied with the reward they currently getting and may leave the organization any time for better reward.

Abay Bank S.C is a bank that has salary scales which relatively able to satisfy its employees by paying more and hence the salary based rewarding system is successful in terms of bringing job satisfaction to the employees. Also the paying system in the bank is fair and reasonable that is based on stated merits and backed by a fair salary increment system. The bank has also gives different kinds of benefits to its employees such as bonuses, insurance schemes and others that ultimately enhanced the work motivation of the employees. However, the employee promotion and development strategy is not that much appreciable because the criteria

set forth for promotion are not acceptable by many of the employees and the system to promote is not transparent and clear to the respondents. There is also less opportunity to promote someone in the bank that has made the employees to get dissatisfied on this aspect. Employees of the bank are well recognized regularly for the work done and the employees are also ready to accept feedbacks and even constructive criticisms from their supervisors and bosses. However, each employee by himself/herself does not have ultimate power to decide on his/her task. That is, they are not completely independent when they perform their task.

With respect to the working relationship there is a smooth and good employee to employee and employee to boss relationship within the bank so that the on job relationship among co-workers is able to able to motivate them and enhance the job satisfaction of the employees and hence their efficiency. The working environment is so conducive that employees are well satisfied with such a good working environment created by the bank especially in terms of provision of basic facilities that assists their job.

Moreover, from those parameters that are used to measure reward practice recognition is found the main rewarding mechanism that affected the overall job satisfaction in Abay Bank followed by the pay system and various kinds of benefits being offered.

In general, as a result of these, the employees are well motivated within the bank and decided not to leave the bank for a simple reason. This is because the management has made its best level on rewarding its employees and it has been able to create a conducive working environment in terms of facilities, payment system, and benefit so and so on. However, employee promotion and task autonomy have a less and adverse impact on the overall job satisfaction of the employees.

5.4. Recommendations

Recommendations towards establishment of an improved reward system were made based on the findings and conclusions. Employees expect return for their contribution while employers expect from their employees return for their pay and this forms the starting point of reward. Therefore, balance should be ensured when designing rewards so that each party attains majority of their expectations in terms of ability to pay and value for money for employers and employees respectively. If rewards offered are not competitive, it will be difficult to recruit staff since potential employees can obtain better rewards from competitors. Existing staff may also be tempted to leave the organization if they are aware that their reward system is uncompetitive. High staff turnover can lead to higher costs of recruitment and training of new staff. Losing existing employees may also mean that some of the organization's accumulated knowledge is lost forever.

Based on the major findings of the study, the researcher recommends the following points:

- Go beyond Compensation and Benefits to a Total Reward Mindset- Rewards go far beyond cash compensation and benefits. Monetary rewards alone are insufficient to satisfy employees. Other factors such as giving greater gratitude and greater responsibility may be equally important, for example giving praise at company meetings, promoting staff, and involving staff more in decision making have the greatest impact on employee satisfaction.
- The bank should maintain its strength on its rational and fair payment system.
- The bank is also advised to identify other potential rewarding mechanisms like contingency reward such as promotion, recognition and task autonomy other than bonus and other benefits so that it can further motivate and satisfy its employees.
- So as to further satisfy its employees it has to develop other employee rewarding strategies both intrinsic and extrinsic mechanisms.
- It has to also develop a transparent and fair promotion system for all of its employees and that uses well defined criteria for promotion.
- The working environment should also be further improved so as to make it more comfortable to the employees and to motivate them more.

- Since giving recognition is the main reward mechanism used by the bank, the researcher highly encourages it to acknowledge the work done by its employees not only in terms of written letter but also in terms of monetary value.
- Employees should also be given an ultimate power to participate in some parts of the decision making process that will finally enhances their job satisfaction level.
- The bank is highly advised to revisit its employee promotion policy in such way that treats and considers every employee equally and fairly.
- A salary system should be designed to promote internal salary equity as well as external salary equity (based upon salary comparisons among individuals in similar positions from similar Banks). On the other hand, two shifts or three shifts is a way to reduce the work load of employees.
- The study also recommends that future research be directed towards investigating how variables like work life balance, organizational commitment, Supervisor's support and Work itself can influence job satisfaction and to expand the scope to cover other private banks.

If organizations can implement these recommendations, they will reap the benefits of more satisfied employees willing to invest more discretionary effort to make their organizations successful. Coupling this discretionary effort with enabling work environments will provide organizations with an even more competitive edge that will enable them to win in the talent marketplace.

5.5. Further Research Direction

- The coming researcher can study on the effect of reward practice on job satisfaction in other organization like other banking industry, educational institution and manufacturing sector, because these sectors are have huge investment towards reward practice and job satisfaction.
- The coming researcher can give a better attention on the promotion and task autonomy because throughout this study these two factors that affect reward practice has a negative and significant effect on job satisfaction.

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Appendix: A

Addis Ababa University

School of Commerce

Masters of Arts Program in Human Resource Management

Questionnaires to be filled by Executive Managers, Directors, Division Managers, BranchManagers/Section, Heads, Senior Officers/CSM-Managers, Officers and Junior Officers

Dear respondent:

I am conducting a research on “The Effects of Reward practice on employee Job Satisfaction: a case in Abay Bank Share co.” For partial fulfillment of the requirements for Masters of Arts Degree in Human Resource Management. The study intends for academic purpose only, besides the outputs of the study will help as input for the companies decision makers.

Note

- Please put “√” mark in the box to the point which highly reflects your idea?
- Your honest and unbiased response will greatly contribute for the research to achieve its objective and there is no need to write your name.

Thank you very much, in advance, for your sincere cooperation.

If you have any comment and questions you can contact me through the following address;

Birhanu Tadesse (+251911424658) or (0941626376) email:hawariat33@gmail.com.

Employees with less than one year of experience are not required to fill this questionnaire

Part one: Demographic Information

1. Gender	Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
2. Age				
	18-30	<input type="checkbox"/>	31-45	<input type="checkbox"/>
	46-60	<input type="checkbox"/>	above 60	<input type="checkbox"/>

3. What is your current educational status?

Diploma First Degree

Master's Degree above \$

4. Years of service in the bank

1-2 2-3

3-4 4-5

5-6 above 6 years

5. Current position:

Managerial Non-managerial

6. In which of the following salary ranges fall your salary?

3,500-5,000 5,001-8,000

8,001-15,000 above 15,000

Part Two: Research Related Questions:

The Following Questions are presented on a five point likert Scale. If the item strongly matches with your response choose 5 (Very Agreed), if you moderately agree on the idea choose 4 (Agreed), if you can't decide on the point choose 3 (I don't know), if you disagreed with the idea choose 2 (Disagreed), and if you completely disagreed with the point choose 1 (Very disagreed).

5 = Very Agreed

4 = Agreed

3 = I don't know

2 = Disagreed

1 = Very Disagreed

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

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

Do this for all statements. **Please answer every item.**

Be frank and honest. Give a true picture of your feelings about your present job.

		Very disagree	Disagree	don't now	Agree	Very agree
A. pay						
1	The pay system is visibly communicated to you					
2	My salary is satisfactory in relation to the job I do					
3	I earn the same salary with others doing the same job in the bank					
4	Pay scale of the bank treats everyone equally					
5	There is fair salary increment					
B. Benefit						
1	The benefit I receive are as good as other banks offer					
2	The benefit package we have is equitable					
3	I am satisfied with long term benefit and insurance policies of the company					
4	There are few rewards for those who work here					
C. Promotion						
1	There exist an opportunity for promotion in the bank					
2	Staffs are promoted in a fair and transparent way					
3	I am satisfied with promotion system of the bank					
4	Criteria for promotion is acceptable to me					
5	Promotion is very important to improve my work motivation					
D. Recognition						
1	I am given a written appreciation letter for my good work					
2	I usually acquire acknowledgement for the work done by me					
3	I am ready to accept constructive criticism regarding my work					

4	I am praised regularly for my good work					
5	I receive feedback on making progress					
E. Task Autonomy						
1	I have a chance to work alone on the job					
2	There is a sense of responsibility in my work					
3	I am allowed to decide on the methods to perform my work					
4	I am completely independent when I perform my work					
5	I have part in decision making process					
F. Working Relation						
1	I am satisfy the way my boss handless his/her employees					
2	I will not be terminated without good cause					
3	I have a chance to develop close friendship with my co-workers					
G. Working Conditions						
1	When I have questions or concerns my supervisor is able to address them					
2	My working hours are reasonable					
3	All the necessary resources for work are available					
4	I have good communication with my co workers					
5	I am free to be with my colleagues					
6	The level of support that I receive from my supervisor in performing my work is good					
Overall Satisfaction						
1	I am generally satisfied with my organization					
2	Management tries their best to ensure that employees will not leave form the bank					

Thank You for completing the questionnaire!!!

APPENDIX B. List of Departments, Divisions and Branches covered in the Study

NO	Departments	NO	Divisions	NO	Branches
1	Finance	1	Engineering Service	1	Air port
2	Business Development and Corporate Planning	2	Property and General Service	2	Adisu Gebeya
3	Credit	3	HRD	3	Bole Mickeal
4	Internal Audit			4	Chied Tera
				5	CMC
				6	Haya hulet
				7	Lideta
				8	Meganagna
				9	Satin tera
				10	Teklehaymanot