



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

**The Relationship Between Rewards System and Employee Engagement: A
Case Study of Commercial Bank of Ethiopia – Credit Management.**

A project work

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Fulfillment of the Requirements for MA in Human Resource Management.

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Abstract

Title: *The Relationship between Rewards System and Employee Engagement: A Case Study of Commercial Bank of Ethiopia – Credit Management.*

Rewards system and employee engagement is the hot issues for today's management. Employee's motivation has been in discussion for years, different compensation plans and strategies were adopted over years to make employees more productive. Recently, the introduction of employee engagement as a new construct to business, management, and human resource management fields make it an imperative to adopt in organizational settings. Many studies made indirect link between reward system and employee engagement. Moreover, reward elements expressed in terms of Intrinsic and Extrinsic are often considered a useful tool for employee engagement. But very few studies investigated the direct relationship between the two.

This study tried to investigate the relationship between Rewards system and employee engagement. Moreover, the study also examined the impact of intrinsic and extrinsic rewards on employee engagement. In order to fulfill the research purpose, quantitative study was adopted. Questionnaires were designed using 5 point likert scale. 110 questionnaires were collected from employees of Commercial Bank of Ethiopia – Credit Management staffs. Subsequent to this SPSS was used to perform the required test of descriptive statistics, reliability analysis, bivariate correlation, ANOVA test and multiple regression analysis.

The results of SPSS revealed that strong agreement of respondents to positive relationship between intrinsic rewards and employee engagement, and extrinsic rewards and employee engagement. Four intrinsic elements namely interesting work, job appreciation, Job satisfaction

and stress, and four extrinsic elements namely job security, attractive Salary, promotion & growth and recognition were considered crucial by respondents for engagement.

Finally, from the findings it is concluded that there is positive relationship between intrinsic rewards and employee engagement, and extrinsic rewards and employee engagement. Furthermore, it is also resulted that intrinsic rewards has strong positive impact on employee engagement than extrinsic rewards among credit management staffs. In addition to this, it is also concluded that the relationship and impact of intrinsic rewards was stronger on employee engagement as compared to extrinsic rewards. The study will enrich the current literature of rewards system and employee engagement. On practical level this study will not only help practitioners and consultants but also bank management will also be equipped with useful information regarding reward system and employee engagement in organizational settings.

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CHAPTER ONE

INTRODUCTION

The research thesis aims to find out the relationship between reward system (intrinsic and extrinsic) and employee engagement of Commercial Bank of Ethiopia Credit Management Department. This chapter addresses the background of the study, statement of the problem, objective of the study, research questions, scope and significance of the study.

1.1 Background of the study

The banking activities worldwide are undergoing rapid change in terms of state of art of technologies and human resource development. In order to maintain their status in the competitive environment, banks have to concentrate in enhancing the engagement of the work force. Like any other industry, the success in banking sector is also highly dependent on the quality of human resource and the level of work engagement.

However, building employee engagement is not an easy task because employees desire reward that complements the increasing organizational changes and their psychological needs. Devising various reward systems and motivational reinforcement become one of the fundamentals for sustenance of employee engagement.

There is a heated debate among Experts over what reward is most appropriate for employee engagement. Some Experts advocate complete concentration on financial rewards. On the other hand other researcher believes that the increasing organizational changes with their assigned associated challenges should be handled by providing financial and non-financial rewards to employees if they are to be fully engaged. Rewards include both monetary and

non-monetary rewards. Monetary rewards enhance the direct satisfaction of employees and non-monetary rewards are helpful for the recognition of employees and that recognition is a motivational tool for the employees and leads to the work engagement (Burgess & Ratto, 2003). Employee engagement is based on the employee attitudes, behaviors, and opinions about the firm and these attitudes and opinions are built internally by the firm. As defined by (Hallberg and Schaufeli ,2006) work engagement is being charged with energy and fully dedicated to one's work.". Other definitions of work engagement and reward management will be discussed in detail on literature review part.

In the academic literature, employee engagement was first conceptualized by Kahn (1990) as "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances". According to Kahn (1990), the engaged employees are physically involved in the tasks, whether alone or with others, cognitively concern employees' belief about the organization, its leaders and working conditions and display their thinking and feeling, their beliefs and values in their ways of working and service.

In a customer service driven industry such as banks where the existence of the firm depends upon the quality and standard of the service delivered by the employees who have direct contact with clients, promoting highly engaged professional bankers is the order of the day. Commercial Bank of Ethiopia (CBE) as a state owned leading bank in the banking industry has been intensely expanding during the last ten years to realize its vision to become a world class commercial bank by the year 2025. The company has 22,908 permanent employees as of June 2015, of which 73% of them are in their early career that have less than five years of experience as per the report recently released by the bank's top officials (*Commercial Bank of*

Ethiopia: Annual Report for the year 2014/2015). As a result of this, the bank should create an environment where employees exert their maximum effort to the achievement of the organization's strategic goal.

1.2 Statement of the problem

Technological development and organizational change through time have gradually led organizations to focus on human capital. To realize success any organization should get the best out of the skills and abilities of their employees and craft fair and dynamic reward system to keep them engaged. Reward system, program and practices in organizations are believed to have a positive influence in the engagement of employees thereby increase the level of employees' performance. Employee performance in turn is critical for the success of organizations and the quality of service provided by firms to their customers. Hence, the contribution of reward systems to employee engagement need not be underemphasized.

Even though employee engagement is an important component to employee productivity, most employees in Commercial Bank of Ethiopia Credit Process are frequently observed not doing their job with energy and passion or they invest few hours of their working day. This in turn creates low customer satisfaction in credit process and results in loose follow-up of the loan granted to different customers.

As per my observation and informal discussion with employees, the level of rewards given to credit process employees of the Bank is evaluated to be below expectations. In one officially conducted study on May, 2013 by the organization's Human Resource Development Strategy Implementation Project in collaboration with Frankfurt School of Finance and Management indicated that the Bank's engagement level in terms of compensation, opportunity for

growth/promotion and recognition together scored 47% having aggregate engagement of 65% together with other factors, which is believed to be by far below the expected level of more than 85% engagement to their work.

Commercial Bank of Ethiopia (CBE) as a state owned bank and the leading bank in the banking industry has to create highly engaged and disciplined employees. Creating such a working culture and engaged employees lead the bank to achieve its vision. Failure to find out the relationship of reward on employee engagement can lead the bank to have poor asset quality while managing credit risk as risk management is the core task of credit management and ruins the long standing work culture thereby create great confusion among the newly injected workforce.

To the best of the researcher's knowledge, empirical studies that show the relationship between reward management and employee engagement in CBE do not exist. Filling this research gap makes this study unique.

1.3 Objective of the study

As research is guided by an objective, this section presents the intended outcomes of this study. The formulated main objective and the specific objective that elaborate the research are presented below:

1.3.1 General Objective

The overall objective of the study is to examine the relationship of reward system and employee engagement in CBE Credit management.

1.3.2 Specific objectives

The specific objectives of this research are intended:

- ❖ To evaluate the relationship of intrinsic rewards (Interesting work, Job appreciation, job satisfaction, Stress) on level of employee engagement in Credit Management.
- ❖ To evaluate the relationship of extrinsic rewards (Job security, Attractive Salary, Growth & promotion, and Recognition) on level of employee engagement in Credit Management.
- ❖ To identify which of the two kinds of rewards (intrinsic or extrinsic) is the most influential factor of employee engagement.

1.4 Research questions

The study has tried to answer the following questions:

- ❖ How do extrinsic rewards (Job security, Attractive Salary, Growth & promotion and Recognition) relate to employee engagement?
- ❖ How do intrinsic rewards (sense of Interesting work, Job appreciation, job satisfaction, Stress) relate to employee engagement?
- ❖ Which of the two kinds of rewards (intrinsic or Extrinsic) is the most influential factor of employee engagement?

1.5 Significance of the study

The research hopes to discover how reward system in CBE Credit management contributes to employee engagement with the expectation of identifying critical reward factors that could lead

employees to use their maximum effort to their job. Therefore, the outcome of the study is believed to have the following benefits:

- ❖ It will be a useful input to the Human Resource Management (HRM) department of the bank to use it for further decision making purpose.
- ❖ It will also be used by the bank as part of the human resource strategy development endeavor as a source document. Beyond this, it will be used as a source document to identify which reward system is more important to the engagement of employees
- ❖ The research will help to create knowledge and information for academicians and other researchers on the effect of reward system on employee engagement, particularly in the banking industry.

1.6 Scope of the Study

The study will focus on professional employees and managers within credit management. Moreover, as the credit work process is similar across the bank and proximity to the researcher, samples has collected from Head Quarter-Central Processing Center and employees around Addis Ababa. The reason for limiting the study area and population size is that the research has conducted for the preceding few months, which in turn affects the volume and size of the research. As the research emphasize in one business process of the bank, it may lack comprehensive findings to be applied by the bank or the banking industry in general.

1.7 Organization of the study

The research study is organized with six chapters and highlights of each chapter are presented as follows:

Chapter one introduced the research topic and outlined the organizational context. The reasons the author is concerned with the concept of employee engagement, its potential significance for

the organization, statement of the problem, the objective of the study, research questions and significant of the study.

Chapter two is concerned about the previous literature on the topic. Important theorists and researchers also mentioned with an overview of the key models and concepts they have developed or researched. Empirical researches in similar subject matter also assessed in this sub-topic.

Chapter three is concerned with the research methodology. The author has outlined the background and research design, target population, sampling size and technique, data collection procedure and instruments, data analysis method and ethical considerations.

Chapter four presents a visual representation of the results of the data in the form of graphs and tables. And also discussion, analysis and interpretation of the resulting data obtained through questionnaire also identified and outlined briefly. It also incorporates background of the company.

Chapter five includes Summary, conclusion and recommendation. The findings are related to the research questions. Appropriate recommendations based on research results are made in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter tries to provide theoretical background of the reward system and to understand factors that relate with employee engagement. It begins by presenting definition and empirical studies made in work engagement. Then examined various scholars work on the significance of total reward system and components of reward management. The third section of the chapter discuss about theories and classification of reward system. Finally, selected intrinsic and extrinsic variables are discussed in detail to craft individual hypothesis.

2.2 Definition of Work engagement

While there remains some disagreement among scholars and practitioners about how best to define and measure work engagement (Bakker , 2011), engagement is most often defined within the academic domain as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption (Schaufeli , 2002, p. 74).

More broadly, Kahn (1990, 2010) described engagement as the harnessing of people's selves to their work, such that they fully invest their physical, cognitive, and emotional resources in their work roles. In essence, work engagement is manifested as energy, involvement and a focused striving towards the achievement of organizational goals (Macey and Schneider, 2008; Schaufeli et al., 2002). Schaufeli (2014) argued that despite having slightly different perspectives there are core commonalities between the Kahn (1990) and the Schaufeli et al. (2002) conceptualizations and measures of engagement. Schaufeli noted that both share similar physical-energetic (vigor), emotional (dedication), and cognitive (absorption) components.

Although it is unlikely there will ever be universal agreement about a single definition and measure of engagement, energy, involvement and a willingness to contribute to organizational success is nevertheless core to the construct (Bakker, 2011). Importantly, researchers (Christian, 2011) have shown that work engagement can be validly distinguished from related but distinct attitudes such as job satisfaction, job involvement, and commitment.

The job demands-resources (JD-R) model (Bakker and Demerouti, 2007, 2008, 2014) is the most widely cited theoretical model of work engagement. JD-R theory delineates how job resources (e.g. autonomy, feedback, supervisor support) and personal resources (e.g. self-efficacy, optimism, and resilience) directly influence work engagement, which in turn influences important downstream outcomes such as in-role performance, extra-role performance, creativity, and financial returns. Beyond performance-related outcomes, Bakker and Demerouti (2014) noted that JD-R research has also been used to explain important individual well-being outcomes such as burnout, organizational commitment, work enjoyment, connectedness, job satisfaction, and sickness absenteeism. Similarly, Robertson and Cooper (2010) explicitly recognized the important well-being, positive psychological and eudemonic or “sense of purpose” dimensions of engagement in a construct they referred to as “full engagement”.

More generally, intrinsic motivation is fundamental to an understanding of employee engagement (Bakker and Demerouti, 2014). As implied by the use of the word “job” and the corresponding “J” in JD-R, researchers have generally focused on identifying the job level and individual level demands and resources that influence engagement. There has been less research attention devoted to the influence of contextual-level variables such as clarity of organizational purpose and vision, Human Resource Management (HRM) systems, and

organizational climate on engagement. Halbesleben's (2010) meta-analysis, for example, showed that organizational climate has positive links with dimensions of engagement. Alfes (2013) showed a positive association between perceived HRM practices and employee engagement in two independent samples. Overall, however, only a limited number of studies have linked such organizational contextual level variables with engagement and more research is required.

Kahn (1990) states that employees are engaged with their work when they identify with their roles, and express themselves through their roles physically, emotionally and cognitively. Work engagement has also been defined as the antithesis of burnout (Maslach&Leiter, 1997). However, Schaufeli, Salanova, Gonzalez-Roma and Bakker (2002) argue that burnout and work engagement are distinct and should be assessed separately and independently of one another. Schaufeli (2002) conception of work engagement: a positive work-related state of mind, defined by three dimensions, namely *vigor*, *dedication* and *absorption*. Vigor includes mental resilience, persistence when confronted with difficulties at work, pervasive positive feelings, energy and enthusiasm towards work (Schaufeli& Bakker, 2003). Dedication is characterized by enthusiasm, pride, persistence and being actively involved in one's work, including feeling challenged by one's job. Absorption is when individuals are concentrating so fully and is so engrossed in their work that time passes without being noticed on various empirical studies.

2.3 Studies of Employee Engagement

One of the most influential studies of engagement was carried out by Kahn (1990). Conceptually, Kahn began with the work of Hoffman (1961) who proposed that, "people's attachment and detachment to their role varies" (Kahn 1990:694). However, Kahn argued that

Goffman's work focused on fleeting face-to-face encounters, while a different concept was needed to fit organizational life, which is "ongoing, emotionally charged, and psychologically complex" (Diamond and Allcorn 1985).

To gain further understanding of the varying levels of attachment individuals expressed towards their roles, Kahn (1990) examined several disciplines. It was found that psychologists (Freud 1922), sociologists (Goffman 1961, Merton 1957) and group theorists (Slater 1966, Smith and Berg 1987) had all recognized the idea that individuals are naturally hesitant about being members of ongoing groups and systems. As a result they "seek to protect themselves from both isolation and engulfment by alternately pulling away from and moving towards their memberships" (Kahn 1990). The terms Kahn (1990) uses to describe these calibrations are 'personal engagement' and 'personal désengagement', which refer to the "behaviors by which people bring in or leave out their personal selves during work role performances" (Kahn 1990:694). These terms developed by Kahn (1990) integrate previous ideas taken from motivation theories that people need self-expression and self-employment in their work lives as a matter of course (Alderfer 1972, Maslow 1954).

Kahn undertook a qualitative study on the psychological conditions of personal engagement and disengagement by interviewing summer camp counselors and staff at an architecture firm about their moments of engagement and disengagement at work. He defined disengagement as the decoupling of the self within the role, involving the individual withdrawing and defending themselves during role performances (May *et al* 2004). Disengaged employees displayed incomplete role performances and were effortless, automatic or robotic (Kahn 1990). Kahn found that there were three psychological conditions related with engagement or disengagement at work: meaningfulness, safety, and availability. He argued that people asked themselves three fundamental questions in each role situation: (i) How *meaningful* is it for me

to bring myself into this performance; (ii) How *safe* is it to do so?; and (iii) How *available* am I to do so? He found that workers were more engaged at work in situations that offered them more psychological meaningfulness and psychological safety, and when they were more psychologically available.

In the only study to empirically test Kahn's (1990) model, May (2004) found that meaningfulness, safety, and availability were significantly related to engagement. They also found job enrichment and role fit to be positive predictors of meaningfulness; rewarding co-worker and supportive supervisor relations were positive predictors of safety, while adherence to co-worker norms and self-consciousness were negative predictors. Resources were a positive predictor of psychological availability, while participation in outside activities was a negative predictor. Overall, meaningfulness was found to have the strongest relation to different employee outcomes in terms of engagement.

An alternative model of engagement comes from the 'burnout' literature, which describes job engagement as the positive antithesis of burnout, noting that burnout involves the erosion of engagement with one's job (Maslach 2001). According to Maslach *et al*, six areas of work-life lead to either burnout or engagement: workload, control, rewards and recognition, community and social support, perceived fairness and values. They argue that job engagement is associated with a sustainable workload, feelings of choice and control, appropriate recognition and reward, a supportive work community, fairness and justice, and meaningful and valued work. Like burnout, engagement is expected to mediate the link between these six work-life factors and various work outcomes. May *et al's* (2004) findings support Maslach *et al's* (2001) notion of meaningful and valued work being associated with engagement, and therefore it is important to consider the concept of 'meaning'.

According to Holbeche and Springett (2003), people's perceptions of 'meaning' with regard to the workplace are clearly linked to their levels of engagement and, ultimately, their performance. They argue that employees actively seek meaning through their work and, unless organizations try to provide a sense of meaning, employees are likely to quit. The research findings suggest that many people experience a greater search for meaning in the workplace (70 per cent) than in life in general (ibid). There are numerous possible reasons for this, for example, it may be because people generally spend longer at work than on other parts of their lives. Holbeche and Springett (2003) argue that high levels of engagement can only be achieved in workplaces where there is a shared sense of destiny and purpose that connects people at an emotional level and raises their personal aspirations.

Kahn's (1990) and Maslach *et al's* (2001) models indicate the psychological conditions or *antecedents* that are necessary for engagement, but they do not fully explain why individuals will respond to these conditions with varying degrees of engagement. According to Saks (2006), a stronger theoretical rationale for explaining employee engagement can be found in social exchange theory (SET). SET argues that obligations are generated through a series of interactions between parties who are in a state of reciprocal interdependence. A basic principle of SET is that relationships evolve over time into trusting, loyal, and mutual commitments as long as the parties abide by certain 'rules' of exchange (Cropanzano and Mitchell 2005). Such rules tend to involve reciprocity or repayment rules, so that the actions of one party lead to a response or actions by the other party. For example, when individuals receive economic and socio-emotional resources from their organization, they feel obliged to respond in kind and repay the organization. This is consistent with Robinson (2004) description of engagement as a two-way relationship between the employer and employee.

Saks (2006) argues that one way for individuals to repay their organization is through their level of engagement. In other words, employees will choose to engage themselves to varying degrees and in response to the resources they receive from their organization. Bringing oneself more fully into one's work roles and devoting greater amounts of cognitive, emotional, and physical resources is a very profound way for individuals to respond to an organization's actions, as suggested earlier by the work of Kahn (1990). Thus, employees are more likely to exchange their engagement for resources and benefits provided by their organization.

2.4 Work Engagement Related Theories

2.4.1 Social Exchange Theory

One of the most famous theories related to employee engagement is social exchange theory (SET). SET explains responsibilities are created through interactions and between parties who are in state of collective interdependence. Basic principle of SET is relationship develop overtime in to expectation, trustworthy and mutual commitment as long as both parties accepted by some rules of exchange. The rules of exchange involve mutuality rules so that the movements of one party would lead to reaction by the second party. Let's suppose, when employees are given by economic and other resources from their employers, they feel appreciative to respond in kind and recompense employers. This is identifying as employee engagement of two way relationship between employee and employers. One way is from the side of employees to repay their employers through level of job engagement. That is employees will engage in their jobs according to organization objectives and in response they will get benefits or resources from employers. Organizations should bring employees fully in to their job characters or roles and allocate higher amount of physical, cognition and emotional resources. It is a philosophical method for employees to reply to employer actions. It is most

difficult for employees to change their level of performance; therefore, employees would exchange their engagement for benefits and resources given by organization.

Social exchange theory shows why employees become engaged and disengage with their jobs and employers. When organization provides resources to their employees, they feel appreciative to repay the employers with excessive level of engagement. According to Kahn's definition, employee feels thankful and keeps themselves more intensely in to job role performance as compensation they receive from their employers (Saks, 2006). It increases the trustworthiness and trusting relationship. Consequently, employees with higher level of engagement are likely to be in good quality relations with their organizations and would likely to report positive behavior and objectives towards employers. On the other hand, when employers become unsuccessful to provide these benefits or resources to workforce, they are more likely to disengage to their job roles. Consequently, the extent to cognitive, emotional and physical resources that an employee need for performance is contingent on economic and socio-emotional resources received from employers (Saks, 2006, p.603). The literature explained the importance of employee job engagement. According to (Xanthopoulou 2007), the organizational productivity depends upon employee happiness or wellbeing. When wellbeing is positive and operational, it would have a positive impact on employee engagement that enable employee to perform according to organizational standards and objectives. Social exchange theory was used to explain how responsibilities created through interactions between parties, who are in state of collective interdependence, accept some form of exchange, are engaged and committed in an organization. The interdependence here was the relationship between the employer and the employee, and, how they accept the three forms of exchange under study.

In summary, SET provides a theoretical foundation to explain why employees choose to become more or less engaged in their work and organization. In terms of Kahn's (1990) definition of engagement, employees feel obliged to bring themselves more deeply into their role performances as repayment for the resources they receive from their organization. When the organization fails to provide these resources, individuals are more likely to withdraw and disengage themselves from their roles. Thus, the amount of cognitive, emotional, and physical resources that an individual is prepared to devote in the performance of their work role may be contingent on the economic and socio-emotional resources received from the organization.

2.4.2 Burnout Theory of Engagement

Another model of employee engagement theory came from burnout literature which explains, "It is the positive antithesis of burnout while burnout involves erosion of engagement with one's job" (Maslach & Leiter, 2000). They further explained six areas of work life that are clue to engagement and burnout. Workload, control, rewards and recognition, community and social support, perceived fairness and values. They explained further that job engagement is connected with a sustainable workload, feelings of choice and control, appropriate recognition and reward, a supportive work community, fairness and justice and meaningful and valued work. May, (2004, cited in Kular), supports Maslach (2001) and stated that, the concept of meaningful and valued work is connected with employee engagement and therefore, it is necessary to study the idea of meaning.

Employees view about meaning regarding job place are connected to their engagement level and performance. Normally employees seek meaning from their job and until employees attempt to give them a meaningful environment. According to the research outcomes many employees practice a greater search of meaning in their jobs than in their daily life. The reason

might be because they spend more time in jobs than other activities of their lives. According to (Kular , 2008) for higher level of employee engagement with their jobs, there should be some purpose that associates employees to an passionate and expressive level so they can promote their particular and individual objective (Kular et al, 2008), However, both Kans and Maslach models indicates psychological conditions that these are important for employee engagement but not fully explicated why employees will reply to these conditions with changing degree of engagement. Given that burnout theory is strongly related to healthy outcomes in an organization, the theory was used to possible consequences of burnout against engagement and commitment.

2.5 Categories of Employee Engagement as per the Gallup consulting firm

Gallup's employee engagement work is based on more than 30 years of in-depth behavioral economic research involving more than 17 million employees. Through rigorous research, the Gallup consulting firm has identified 12 core elements called “the Q12” that link powerfully to key business outcomes. These 12 statements emerged as those that best predict employee and workgroup performance. According to the well-known Gallup Consulting organization there are different types of people categorized in terms of their engagement level. For the purpose of this research, work engagement will be defined based on the following categories:

Engaged--"Engaged" employees are builders. They want to know the desired expectations for their role so they can meet and exceed them. They're naturally curious about their company and their place in it. They perform at consistently high levels. They want to use their talents and strengths at work every day. They work with passion and they drive innovation and move their organization forward.

Not Engaged---*Not-engaged* employees tend to concentrate on tasks rather than the goals and outcomes they are expected to accomplish. They want to be told what to do just so they can do it and say they have finished. They focus on accomplishing tasks vs. achieving an outcome. Employees who are *not-engaged* tend to feel their contributions are being overlooked, and their potential is not being tapped. They often feel this way because they don't have productive relationships with their managers or with their coworkers.

Actively Disengaged--The "*actively disengaged*" employees are the "cave dwellers." They're "Consistently against Virtually Everything." They're not just unhappy at work; they're busy acting out their unhappiness .They sow seeds of negativity at every opportunity. Every day, actively disengaged workers undermine what their engaged coworkers accomplish. As workers increasingly rely on each other to generate products and services, the problems and tensions that are fostered by *actively disengaged* workers can cause great damage to an organization's functioning.

2.6 Concept and Definition of Reward

As stated on UK Essays published on March, 2015, reward is the generic term for the totality of financial and non-financial compensation or total remuneration paid to an employee in return for work or services rendered at work. Reward can also be termed as compensation or remuneration, is perhaps the most important contract term in every paid –employment. Its impact on employee’s performance is in most instances highly misinterpreted. The understanding of this term is very important as the incentive scheme given to an employee will influence the behavior and level of engagement to the organization.

According to Armstrong (2010) reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the development of reward strategies and 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. Reward can be regarded as the fundamental expression of the employment relationship.

The following are the main aim of reward management:

- Reward people according to what the organization values and wants to pay for.
- Reward people for the value they create.
- Reward the right things to convey the right message about what is important in terms of behaviors and outcomes.
- Develop a performance culture.
- Motivate people and obtain their commitment and engagement.
- Help to attract and retain the high quality people the organization needs.
- Develop a positive employment relationship and psychological contract.
- Align reward practices with both business goals and employee values; as Duncan

Brown (2001) emphasizes, the ‘alignment of reward practices with employee values and needs is every bit as important as alignment with business goals, and critical to the realization of the latter’.

Operate fairly – people feel that they are treated justly in accordance with what is due to them because of their value to the organization (the ‘felt-fair’ principle of Eliot Jaques (1961)).

Apply equitably – people are rewarded appropriately in relation to others within the organization, relativities between jobs are measured as objectively as possible and equal pay is provided for work of equal value.

Function consistently – decisions on pay do not vary arbitrarily and without due cause between different people or at different times.

Operate transparently – people understand how reward processes operate and how they are affected by them.

The reward element is divided into two, namely extrinsic and intrinsic elements. Extrinsic values are usually financial and are the tangible rewards given to employees such as pay rises, bonuses and benefits. They are called extrinsic because they are external to the work itself and other people control their size and whether or not they are granted (Milkovich & Newman, 2006). Zeng (2006) provides the foundation for early behaviorist arguments that suggest that people’s behaviors are drivable and changeable and that extrinsic rewards can bring expected behaviors and performance. Some experimental studies indicate that higher economic compensation correlates positively with increased innovative behavior by employees (Zhou and Yeng, 2008).

Pay as described by Wright (2004) is the level of the fixed salary or wage that constitutes the rate for the job which can be expressed as an annual, weekly or hourly rate. According to the author, pay is very important to people and very important to organizations. Research on high-

performance work systems indicates that characteristics of a firm's compensation system are strongly related to corporate financial performance (Chingos, 2004).

Incentives on the other hand, are payments linked with the achievement of previously set targets which are designed to motivate people to achieve higher levels of performance. The targets are usually quantified in such terms as outputs or sales (Armstrong, 2003). During the last decade, numerous trends in compensation have occurred. To begin with, there has been a dramatic increase in the diversity of compensation strategies and practices. Today firms are providing variable pay, hiring bonuses, lump-sum recognition bonuses, group incentive plans and broad based success sharing program (Beer & Cannon, 2004).

2.7 Reward Systems

A reward system consists of a number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there. (Armstrong, 2010). As further described by the author, the reward system holds the following processes and activities:

Reward strategy: Reward strategy sets out what the organization intends to do in the longer term to develop and implement reward policies, practices and processes which will further the achievement of its business goals.

Reward policies: Reward policies address the following broad issues:

- The level of rewards taking in to account 'market stance' – how internal rates of pay should compare with market rates, example, aligned to the median or the upper quartile rate;
- Achieving equal pay;

- The relative importance attached to external competitiveness and internal equity;
- The approach to total reward;
- The scope for the use of contingent rewards related to performance, competence, contribution or skill;
- The role of line managers;
- Transparency – the publication of information on reward structures and processes to employees.

Total reward: Total reward is the combination of financial and non-financial rewards available to employees.

Total remuneration: Total remuneration is the value of all cash payments (total earnings) and benefits received by employees.

Base or basic pay: The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required. Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements. Base pay may be expressed as an annual, weekly or hourly rate. For manual workers this may be an hourly rate which is called a time rate.

Job evaluation: Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for

designing an equitable grade structure, grading jobs in the structure and managing relativities. It does not determine the level of pay directly. Job evaluation can be analytical or non-analytical. It is based on the analysis of jobs or roles which leads to the production of job descriptions or role profiles.

Market rate analysis: Market rate analysis is the process of identifying the rates of pay in the labour market for comparable jobs to inform decisions on levels of pay within the organization. A policy decision may be made on how internal rates of pay should compare with external rates – an organization's market stance.

Grade and pay structures: Jobs may be placed in a graded structure according to their relative size. Pay levels in the structure are influenced by market rates. The pay structure may consist of pay ranges attached to grades which provide scope for pay progression based on performance, competence, contribution or service. Alternatively, 'spot rates' or 'individual job grades' structure may be used for all or some jobs in which no provision is made for pay progression in a job.

Contingent pay: Additional financial rewards may be provided that are related to performance, competence, contribution, skill or service in the grade. These are referred to as 'contingent pay'. Contingent payments may be added to base pay, ie 'consolidated'. If such payments are not consolidated (ie paid as cash bonuses) they are described as 'variable pay'.

Employee benefits: Employee benefits include pensions, sick pay, insurance cover, company cars and a number of other 'perks'. They comprise elements of remuneration additional to the

various forms of cash pay and also include provisions for employees that are not strictly remuneration, such as annual holidays.

Performance management: Performance management processes is individual performance and contribution expectations, assess performance against those expectations, provide for regular constructive feedback and result in agreed plans for performance improvement, learning and personal development. They are a means of providing non-financial motivation and may also inform contingent pay decisions.

Non-financial rewards: Rewards which do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high quality leadership. In this study the identified variables are Interesting work, Job appreciation, Job satisfaction and Stress to see their relationship with work engagement.

There is an increasing demand on organizations to develop and implement reward programs that are motivating employees to work harder and faster. These programs usually educate and encourage associates to become more productive, efficient, and valuable individuals in the company in terms of the ultimate achievement of the organization's objectives.

2.8 Definition of Total Reward

In earlier times, the current reward had different names such as wage, pay, remuneration, and compensation. However, now days the word reward is replacing those names and becoming common to many books. Stredwick (2005) stated that in recent years, the expression 'reward' has started to replace 'pay' in the human resources vocabulary indicating a much broader

approach, including elements of non-cash awards and presupposes that employees need to actually achieve something to receive their wages or salaries, unlike the more mechanistic attachment that pay indicates. Despite slight wording differences all authors agree that a total reward includes both financial and non-financial rewards provided to employees by their employer (Armstrong, 2006, p. 627; Armstrong, 2005, p.7; Cascio, 2003, p. 416; Torrington, Hall, & Taylor, 2008, p. 635). The financial reward comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits. On the other hand, non-financial rewards refer to the intangible or intrinsic rewards such as work autonomy, recognition, challenging assignments, conducive work environments and so on. According to Armstrong (2005, p. 6) reward system contain all elements of reward such as policies, practices, processes, procedures and structures.

2.9 Significance of Total Reward

The concept of total reward encompasses both financial and non-financial rewards. Hence, its significance to both the organizations and employees emanate from its comprehensiveness. According to Armstrong & Stephens (2005, p. 27) total reward can be used as a means of influencing behavior, enhancing employment relationship, flexibility to meet individual needs and winning the war for talent. Companies that want to foster high performance work system will reward employees based on their performance. Hence, the reward is utilized as a means of influencing behavior. In addition, Stredwick (2005, p. 332-333) stated that total reward that is aligned with the organization's business strategy will help to achieve competitive advantage, emphasize Performance, encourages flexibility in working practices, oil the wheels of change, support key competencies and encourage local decision taking. Alignment of business strategy with each of the functional strategies will help to achieve organizational objectives.

One of the functional strategies in organization is human resource strategy. Within the human resource strategy, if the reward strategy supports performance it is possible to achieve competitive advantage through people. Likewise, Torrington, Hall, & Taylor (2008, p.639) have identified that a reward system which is aligned with the business strategy will help to motivate staff, use as driving for change, attract skilled employees and retain high performers. As observed from various scholars work, reward is one of human resource management tools that are employed to employees for higher performance.

2.10 Reward and Employees Performance

As markets become more competitive on a global scale it is increasingly crucial to maximize the performance of the workforce to maintain the market position (Winfield, Bishop, & Porter, 2004,). Performance improvement can be obtained by identifying a shared vision of where the organizations want to be and clarifying the role of each employee in that process. However, even though there is goal clarity if individuals are not rewarded based on their performance, their performance would not be consistent. Reward and employee engagement are the two sides of a single coin. Gomez-Mejia, Balkin, & Cardy (2005) outlined that the main objectives of any compensation and performance system is to motivate employees to work harder and help managers to decide who should be paid more based on individual contribution respectively. From the mid of 1980s there was a big growth in pay systems linked to individual performance, particularly performance related pay (Winfield, Bishop, & Porter, 2004,).

The introductions of Performance Related Pay (PRP) further strengthen the relationship between the two. In relation to this, Hume (2000) stated that under a system of performance related reward, the level of employee remuneration is directly related to the level of work accomplished (performance). He further explains that performance planning gives the means

for determining by what measures people will be rewarded. On the other hand, Spangenberg (1994; quoted in Williams, 2002) described that in the integrated model of performance management system, the last step is rewarding performance. Besides the expectancy theory argues that linking incentives to performance motivates employees to increase their effort and performance (Stringer, Didham, &Theivanathampillai, 2011, p. 162). A reward system that is given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance (Kanungo & Mendonca, 1994). Based on an empirical study Prokopenko (1987) stated that “a survey conducted in some Asian countries indicated that, with proper motivation of workers Productivity can easily be raised as high as 90% in small and medium enterprise”. All of the above scholars agree that there is interrelationship between reward and employee engagement.

2.11 Types of Benefits

Organizations today offer various types of benefits to their employees dependent on the organizations size, location, type of business, industry and the position the individual holds within the organization as previously indicated (Yasin, 2005). Benefits are categorized into two main categories mainly, statutory benefits and voluntary or discretionary benefits (Mahoney, 2001).

2.11.1 Statutory Benefits

These are benefits mandated by law. Organizations regardless of the industry or type are required to provide the benefits under this category to their employees. These benefits ensure workers are paid fairly for the hours they put in, are eligible for government assistance should they be unable to procure work through no fault of their own, and are compensated for any injuries, illnesses and disabilities (both temporary and permanent) sustained on the job(

Mahoney, 2001). Employee benefits required by the law vary from country to country dependent on the employment laws enacted in the country. Examples of such benefits are social security, workers compensation and unemployment security. Unemployment security is determined by eligibility and may be available for a temporary period of time depending on the legislations or laws of a particular country (Robinson et al., 2004).

2.11.2 Voluntary or Discretionary Benefits

These are optional benefits made available to employees at the workplace and are not required by law for them to be offered. They serve different goals and also receive different tax treatments. Some are fully taxable others are tax -exempt. They vary from organization to organization (Yasin, 2002). Examples are given in the subsequent paragraphs.

An example of a voluntary benefit is the retirement benefits. A retirement plan or a pension is an arrangement by an employer to provide their employees with an income when they are no longer earning a regular income from working. Retirement plans may be set up by in a variety of ways but typically will have a form of a guaranteed payment. Often retirement plans require both the employer and employee to contribute money into a fund while employed so that they will receive benefits upon retirement. Pension plans are considered a form of delayed income (Pegg, 2009).

Another benefit that falls under this category is health or medical insurance. Medical insurance covers the costs of physician and surgeon fees, hospital rooms, and prescription drugs. Dental and optical care might be offered as part of an overall benefits package. It may be offered as separate pieces or not covered at all. Coverage can sometimes include the employee's family (dependents). Employers usually pay all or part of the premium for employee medical insurance (Schaufeli et al., 2006). Another benefit that sometimes goes hand in hand with

medical insurance is life insurance which protects an employee's family in the case of his or her death. While it can be purchased privately, it is usually more expensive. Company sponsored life insurance plans are standard for most full-time workers (Milkovich and Newman, 2006).

Lastly, some organizations also offer paid time off (PTO) benefits, which are accumulated while employees are at work. The most common types of paid time off benefits include sick leave, vacation days and paid holidays. The accrual of hours or days differs according to the company. In providing payment for time not worked, employers recognize that employees need time away from the job with an opportunity to rest, become rejuvenated and hopefully become more productive. Some payments are also provided for time taken during work hours such as rest periods, coffee breaks, and lunch break or sometimes even travel time (Pegg, 2006).

2.12 The Theory of Intrinsic and Extrinsic Rewards

Intrinsic and extrinsic reward theories are based on the prerequisites of Herzberg's (1987) Motivation – Hygiene theory (Deci, 1972). Also Herzberg (1987) incorporates rewards into the motivation theory where he states for example that “Movement is a function of fear of punishment of failure to get extrinsic rewards” (p.118) and that “Motivation is a function of growth from getting intrinsic rewards out of interesting and challenging work” (p. 118). Thus, reward theory and motivation theory are closely bound. Reward systems can be designed in accordance with these intrinsic and extrinsic factors, and as such be divided into intrinsic and extrinsic rewards based on the outcome of the reward.

2.13 Components of Reward Management

Different authors agree on the classification of total reward in to two broad categories. However the naming differs from author to author with similar connotation. To mention some of the classifications, financial and non-financial, monetary and non-monetary, extrinsic and intrinsic, tangible and intangible, transactional and relational etc .Regardless of the minor difference, all categories discuss about the same thing. As a result, this study adopts the classification of Extrinsic and intrinsic rewards instead of financial and Non-financial classification to generalize the reward categories. The table below is adopted with some adjustment from Armstrong (2009, p. 745) to indicate the components of total reward.

Table 1 Component of Reward Management

Extrinsic Rewards		Intrinsic Rewards
Direct	Indirect	
Good wage	Provident fund/pension	Interesting work
Attractive Salary	Job security	Job Appreciation
Performance base payment/bonus	Recognition	Achievement
Contingent	Various type of leaves	Job Satisfaction
Overtime & others	Opportunity for growth/promotion	Stress

Source Armstrong (2009, p. 745)

As we can see above payment rewards in this context refers to payments which are made directly in cash to employees such as salary, wage, bonus, and other direct payments. Indirect payment, on the other hand, refers to employee benefits such as pensions/provident fund scheme, various types of leaves, insurance cover, medical cover, opportunity for growth and promotion, etc. The second category i.e. intrinsic rewards refer rewards that do not involve any direct payments. They may arise from the work itself, for instance, work autonomy, recognition, achievement, Sense of work meaningfulness, sense of choice, sense of competence, sense of progress & others.

2.14 Extrinsic and Intrinsic Rewards and Employee Engagement

While it is accepted that extrinsic and intrinsic rewards are effective in producing positive employee outcomes, few studies do exist that directly examines the effects of these forms of rewards on employee engagement. Because of this reason, a look at some of these studies shows that a study by Maslach (2001) is the most convincing one. They suggested that while lack of rewards and recognition can lead to burnout, appropriate reward and recognition is important for engagement. May (2004) found that meaningfulness, safety, and availability were significantly related to employee engagement. They also found that meaningfulness had a strongest relation to different employee outcomes in terms of engagement.

Ram and Prabhakar (2011) investigated the antecedents and consequences of employee engagement in Jordanian industry. They found that a combination of extrinsic rewards to prevent dissatisfaction amongst employees with recognition, appreciation, advancement, growth opportunities, and interesting work result in a committed work force. They also found that perceived organizational support had a strong relation to employee engagement. They further found that intrinsic and extrinsic rewards had a positive relationship with employee engagement.

Aktar (2012) examined the impact of rewards on employee performance in commercial banks in Bangladesh. They found that non-monetary rewards represented by recognition, learning opportunities, challenging work and career advancement was highly appreciated due to the opportunity it offers in terms of skill development of the workers which in the long run could be translated into higher monetary rewards.

Muchai and Mwanyi (2012) studied the effect of employee rewards and recognition on job performance in Kenya public sector. They found that recognition is one of the leading employee engagement drivers. They also found that engaging employees through total rewards had reduced employee complaints about pay fairness and equity and reduced general employee problems. Sanhari (2014) examined the relationship of health workers' engagement with their work in Tanzania. They study found that health workers perceived support from the immediate supervisors and perceived adequacy of competencies to perform influenced their engagement positively. It was also found that perceived adequacy of inputs (resources) was a potential factor but was not found to influence engagement.

A study made by Zhijian and Tianshu (2013) showed that challenging work environment, appreciation and recognition, promotion opportunities have significant positive impact on animation employee engagement. Harter, Schmidt and Hayes (2002) found that the work units with the most engaged employees were those where the employees were doing what they do best, with people they liked, and with a strong sense of ownership of the job. Slatten and Mechetoglu (2011) have in their study demonstrated the effect of employee engagement on innovative behavior. The study further revealed that there is an explicate connection between professional visibility, career opportunity, perceived role benefits and employee engagement.

Medlin and Green (2009) found significant evidence that suggests employees with high level of optimism tend to perform at a higher level compared to those who are not engaged. Yahya (2012) study indicated that only fringe benefits and nonfinancial recognition had influenced employee engagement substantially. Previous studies in Uganda had mixed results. Bakibinga (2012) examined factors contributing to job engagement in Uganda nurses and midwives. They found that interpersonal relationship with peers, supervisors and clients as an important factor in nurses and midwives experience of job engagement. They also found that the relationship were either positive, fostering job engagement or negative, serving as barrier to job engagement.

Kwandayi (2013) found that lack of autonomy and variety (intrinsic rewards) and low salary (extrinsic reward) were among the first top five de-motivators of employees in Uganda. But according to Richman (2006), when employees are open and without any organizational pressure render their service voluntarily in terms of extra time and put extra effort and energy into their job is called engagement.

2.15 Relationship between Intrinsic and Extrinsic rewards and Employee engagement

After thoroughly reviewing the previous literature, I did not find any study on a direct relationship between intrinsic rewards and employee engagement, extrinsic rewards and employee engagement. Previous studies investigated these relationships separately with different variables. In this part the researcher will try to make a link between reward system and employee engagement and develop hypothesis for the study. Kahn (1990) and May, Gilson and Harter (2004) models of engagement argue that people need both self-expression and self-

employment in their working lives. Moreover, they identified three psychological conditions for engagement i.e. psychological meaningfulness, safety and availability.

Lee (2013) explained self-determination theory and relates its three psychological desires of human behavior i.e. autonomy, competences and relatedness with employee engagement (Deci and Ryan 1985, 1991, cited in lapointe, 2013; Lee, 2013,). When these three desires are accomplished, employee considers themselves self-determined motivated. Furthermore, these desires keep employees in job role as happy employee. When these desires are not accomplished, their motivation is called non self-determined (lapointe, 2013, p.2). Kahn (1990) and May, Gilson and Harter (2004) model of engagement shows some relationship with self-determination theory. Both explains psychological conditions, if fulfill can work as motivation (through autonomy, competences and relatedness) and employee engagement (through psychological meaningfulness, safety and availability).

Maskach and Leiter (2008) associated burnout to both positive and negative responses to the job. The positive responses are in the form of engagement (motivation) and negatives are in the form of job dissatisfaction, absenteeism, intention to leave the job, turnover, stress (p.499). They also identify few factors that can show the way towards employee engagement i.e. reward and recognition etcetera. These factors can be used to motivate employees and results in employee positive responses to engagement.

2.16 Intrinsic Rewards

Intrinsic rewards are defined as the doing of an activity for its inherent satisfaction rather than for some separate consequence. When intrinsically motivated, a person is moved to act for the fun or challenge entailed rather than external products, pressure or reward. The researcher has selected four intrinsic rewards that best answer the research questions named Interesting Work,

Job Appreciation, Job Satisfaction and Employee Stress with the help of Burnout theory of engagement (Maslach & Leiter, 2000).

2.16.1 Interesting Work:

Interesting work makes a connection with non-physical force (interesting working environment) that provides an employee a feeling of happiness. Interesting work is source of connection and social relations with co-workers and fulfillment of the organizational task without any conflict. Organizations those are value- based better able to know their workers mind and know how to build organization and make reach to the aim of mission (Saks, 2011, The employee engagement and interesting work plays a role in job performance. It is Organizational inspiration towards interesting job, encouraging employees towards performance of job. When employee get interesting working environment that would lead to job engagement means to display their selves in working role they are performing. Similarly, when employees are disengaging because of non-interesting work would lead to disconnection from their job role.

That organization that provides interesting job actually facilitates workers to fully engage in their job role (Saks, 2011, p.323). The role of interesting work and employee engagement is neglected in banking sector. Employees working conditions in banks are interpreter of engagement. The banking sector requires engaging all the workers and system, should change working conditions and provide the interesting job. This will enable workers to take beneficial decision and employers to take whatever business operations needed for customer attraction and customer satisfaction

Engagement of job through interesting work is a connection between employees, their job and with others as explained in Burnout theory, in which the theory explains employees view about

meaning regarding job place are connected to their engagement level and performance. Normally employees seek meaning from their job and until employees attempt to give them a meaningful environment. The researcher makes the following hypothesis:

H1: There is positive relationship between interesting work and employee engagement.

2.16.2 Job Appreciation

Job appreciation is an important factor for wellbeing and success of any organization. Job appreciation may help employees feel appreciated and an aspiration to help peers, clients and management. This would be good for the workers and organizations because it makes the organizational structure according to vision of organization.

Appreciation can be defined as “acknowledge the value and meaning of something an event, a person, a behavior, an object and feeling a positive connection to it”. When employees are appreciated, feel good about themselves and they have many things give to others, on the other hand when they are exhausted, less able to perform their job functions properly and performance level become worse (Fagley& Adler, 2012,). Job appreciation has a direct link with job engagement. It promotes development of trust between colleagues; they help each other’s and maintain good relation for the benefits of organizational objectives. Organization can make success business operations through promoting job appreciation. On the opposite side, the employees and organization might be affected negatively because of employee’s negative emotions that can adversely affected workers morale (Fagley 2012, p.180). Job appreciation in banking sector is very necessary.

Dealing with banking customers and operations are a tough job. Banking industry relies on their employees. If employees working attitude is negative towards job, it specifies disengagement of job that may have a direct negative effect on productivity of banks.

Therefore, management of banking sector should focus on the employee appreciation and provide the appreciation support according to their demands.

H2: There is positive relationship between Job appreciation and employee engagement.

2.16.3 Job satisfaction

The level of job satisfaction is associated with positive behavior of organization, for example, employee retention and growth in workers performance. Similarly, lower level of job satisfaction is associated with negative organizational behavior, such as downsizing etc. Job satisfies employees would satisfy from job and encourages the mission of the institution. Job satisfaction is individual level feeling that reflects whether employee needs are or not fulfill by the individual job. Organization should organize, arrange and manage job to satisfy workers (Mahfood, 2012,).

Job satisfaction is very important relating with employee engagement because it has a connection with good wages, good quality job, job security, promotion & growth and training facilities to employees. Employment in Europe survey in 2002 claimed that employee job satisfaction is positively correlated with job status and job activities (Jones & Sloane, 2007, p.199). Upper level management and scholars have to give support to employee satisfaction for productivity of organization and for helping employees to do their work according to standards develop by organizations. Employee satisfaction in banking sector is a significant variable for the employees. Increased turnover of banking employees is due to lack of job satisfaction. Job dissatisfaction is the result of employee disengagement with their job, and disengagement of job can increase turnover of productive banking employees. Therefore, it is highly recommended for specially the banking sector to satisfy employees, because dissatisfaction of job means employee disengagement that would lead to decrease productivity and performance

of organizations. As per Affect theory (1976) by Edwin A. Locke's, satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. The following hypothesis is made to test whether employee satisfaction has positive relationship with work engagement.

H3: There is positive relationship between Job satisfaction employee engagements

2.16.4 Employee Stress

The employee stress has been given attention by management scholars because it has effect on organization and individual performance. However, on individual level it is helpful for workforce to cope with professional challenges. For example, organization increases the salary with responsibilities. On the other hand, it is the hurdle for organizational and employee performance. For example, it cause hurdles for employees, turnover, increase absence, dissatisfaction and disengagement. Stress can be defined as “mentally or emotionally disruptive or upsetting condition occurring in response to adverse external influences” (Rosas, 2011,). In the job environment, employee has different role demand that are connected with employee's responsibilities for completion of task.

The conflict exists when changeable demands created for the same worker in organization, job expectations are unclear. Today in business organizations, employees are pressurized to do performance with higher level of productivity which pressurizes other workforce to adopt same performance level. When these demands come between employees and organizations would lead to stress and disengagement of employees. Stress effect negatively on performance of employees. The organizations should realize that stress have serious consequences for organization and individual performance. Employee would be suffering with depression, disengagement, fierce attitude etc. absenteeism become increase when stress level rise up and

sometimes being dismissed. Thus, employee turnover ratio becomes raise which is very costly and can delay operation of business. Even sometimes, workers lose their motivation and job satisfaction that make complication for them to continue participation with organizations and team. Thus the clear evidence shows for employee engagement with their jobs, stress level should be decrease. It doesn't mean stress level should be totally eliminated, sometimes little stress require for achievement of task performance (Rosa, 2011,). Stress level now a days that faced by employees during working hours in different sectors especially banking organizations is against the productivity of employees and employers. Banking sector and stress depends on each other.

When employees are not satisfied with their job would lead to increase stress level and vice versa. Therefore, the employees should be provided stress free environment, fulfill fix demands for every employees from job, standards for working. Otherwise, they would experience worsen their emotions that cause poor banking operations. The questions were designed to solicit the stress level of employees in Commercial Bank of Ethiopia – credit Department.

H4 There is positive relationship between Stress and employee engagement

2.17 Extrinsic Rewards

Extrinsic values are usually financial and are the tangible rewards given to employees such as pay rises, bonuses and benefits. They are called extrinsic because they are external to the work itself and other people control their size and whether or not they are granted (Milkovich & Newman, 2006). For this study the researcher has identified 4 factors called Job Security, Attractive Salary, Promotion and Growth and Recognition.

2.17.1 Job security

Job security is a well-known topic that has been discussed by previous researchers. Most of the research has concentrated on individual level view. It is an important factor because it has an influence on workers job attitude. It is defined as “the perceived powerlessness to maintain desired continuity in a threatened job situation”. It is interesting to know that it is related with the emotions of human being. Some studies have used a stress theory attitude for job insecurity and consider it stressful because it is a risk itself. Therefore, it is considered to be a job stressor factor with negative consequences for workers. Job in security has a negative impact on the health and wellbeing of workers. The in-security of job highlights the downscaling factor and is a source of uncertainty. The author illustrates security of job is connected to employees attitude. Further reported, during the short term downsizing period, they noticed the negative reaction of workers but after a longer time period same attitude became better (Sora, 2009,).

The security of job is very important for the employee regarding job engagement. Insecurity of job reduces the benefits of job. Insecurity of job is harmful for the productivity of organization. It is a threat to the resources of organizations. Hobfolls COR theory illustrates “employment is valuable resource people strive to retain, protect, build and what is threatening to them is actual loss of these resources.”(Sora et al., 2009 p.141). Job security is very important for the workers of banking sector. Banking sector is the backbone of any country. Insecurity of job means dissatisfaction of job and would have a negative relation with social relations.

Social relation is a part of job of banking sector and most of the banking operations run on the basis of coordination and relations with clients. Therefore, it is very necessary to secure the banking employees. It directly effects negatively to employee attitude because he/she suffer in case of job insecurity. Therefore, it is very necessary for employee job engagement to be

secure. The organization can prevent a negative perception through share by employees by using clear informative policy of employment and can diminishes negative effects on negative and un-satisfactory reactions (Sora , 2009).

H5: There is positive relationship between Job security and employee engagement

2.17.2 Attractive Salary

Good wages/salary is one of the significant factors for employee motivation. Organizations need to offer their workers a wage rate that should be more than market rate. This would increase workers efficiency, responsibility, trustworthiness and decrease shirking. Wage rate that is below than market rate leads to workers dissatisfaction. Organization should maximize the employee effort and reduce the production cost of their business by increasing the salary rate more than market rate. This is what efficiency model conclude. Workforce positive performance and low wages cannot continue together. Maximization of employee wage leads to increase in the efficiency (Taylor & Taylor, 2010, p.69). Wages and employee satisfaction is correlated factors. Employee's satisfaction level becomes increase when organizations increase monetary benefits for their employees (Miller, 1980, p.363) According to Marginson (1991), a report commissioned by Common wealth Department of employment education and training and illuminate, Australian Flinders university National institute of labor studies experiencing problems of shortages of qualified personnel.

The shortage of qualified personnel was due to the lower salary (Marginson, 1991, p.9). Employee's engagement is directly connected with good wages. "Employee engagement means energy, involvement and efficacy". Workforce perform their functions creatively, involvement in task and show efficiency when they would get good salaries. Good salaries would engage workforce to make an effective link towards job related operation and they

consider themselves capable to handle comfortably job demands (Selmer, 2013, p.97). Banking sector should maintain good wages for employees. Banking sector is the backbone of any society and banking operations rely on their employees. If employers do not consider good wages as an important factor for employees, would be harmful for employee job engagement. Consequently, workers would be disengaged and quit their jobs. Therefore, to increase the productivity and better performance, good wages should be maximize.

H6: There is positive relationship between attractive Salary and employee engagement.

2.17.3 Promotion and Growth

One of the most important benefits of any organization is the opportunity for internally promotion and growth of workers. Promotion and growth factor can make a positive contribution to the development of any organization. Setlzer (2010) described in general as “a man of ability who applies himself conscientiously to his duties and studies may be reasonably assured of reaching a position of responsibility” (p.748). The subject of promotion and growth is a scholarly discussion now days. Organizations do not consider it important that is why many studies provide evidence of decline in promotion and growth. Sometimes the expansion of business networks create a hurdle in promotion of employees, because expansion of business with limited number of high level or low level positions would have restricted for many capable and deserve workers.

It is important to know organizations become productive and efficient due to workforce. Organizations that do not give importance to their employees would not be efficient and productive. Employee engagement exists when workers are involved with, loyal to and enthusiastic about their job. The promotion of employees would change the job place to employee positive engagement. Those employees who are properly motivated have higher

engagement levels in their job than those who have not. Regarding the banking sector, promotion and Growth has direct relationship with employee engagement. Number of staff members is increasing day by day in banking sector due to expansion of bank branches network. The fact is that it is very difficult for employees to get promotion and growth because of higher no. of employees. On the other hand, employee's positive engagement relates with promotion and growth. According to Attridge (2009) employee's positive engagement has a direct relationship with the overall financial success of the organization (p.389). Therefore, it is require for organizations to develop plans and policies that would help employee's promotion and growth.

H7: There is positive relationship between promotion & growth and employee engagement.

2.17.4 Recognition

It is a positive importance given to workers for a positive behavior. It can be greeting, approval, appreciation, financial reward etc. It is normally given to worker when they accomplish a specific goal and complete the specific task. The recognition can be formal (years of award), informal (sincere thanks, pass around trophy), financial incentives etc. The aim of recognition is to satisfy workforce. Profitable organization knows achieving their mission requires creativity, good business plan and action and these operation can come from their workforce. According to the Ash and Kay (2012) employees supposed to be recognized when they perform good job. Workers, who recognized are likely to be feel more valued and committed to their organizations (p.74). Recognition is appropriate factor of worker engagement. It motivates employees that satisfy customers, trustworthiness and effectiveness of organization. Organizations with engage workers feel better productivity than disengage employees, minimize turnover risk, and diminishes stress and increase confidence. Researchers found that through engagement, recognition is one of the main methods for employee motivation (Ash & Kay, 2012, p.75).

Employers of banking sector should reflect that recognition is an important strategy for performance towards profitable operations. Banking employees want something new with tough working hour's schedule. Banks can maximize their operations and customers due to improvement of job performance and can be probable to improve recognition system.

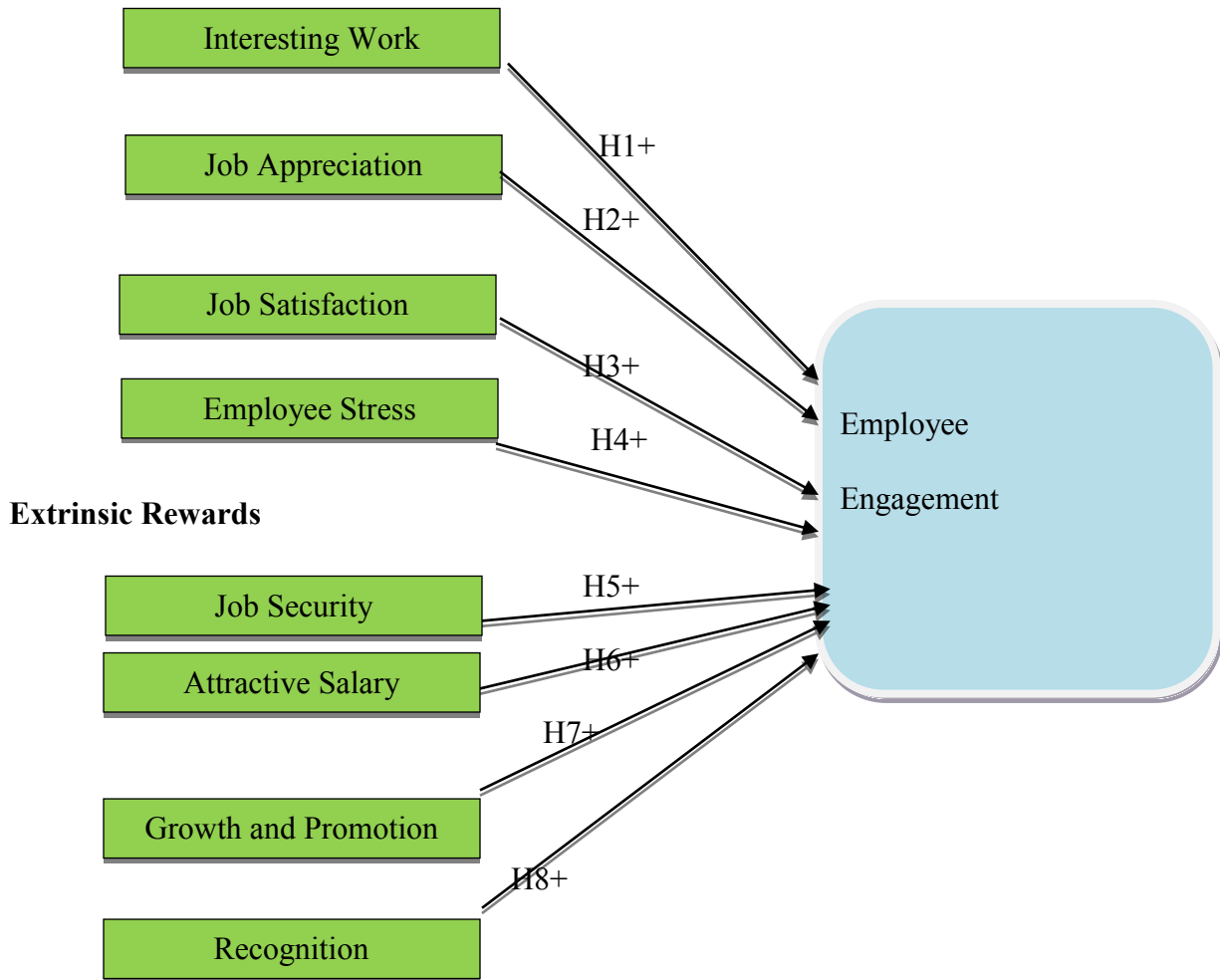
H8: There is positive relationship between Recognition and employee engagement.

2.18 Conceptual Framework

As described below the research model contain independent variables of Intrinsic & Extrinsic and dependent variables of employee engagement. An intrinsic variable includes *Interesting work, job appreciation, job satisfaction and stress*. The extrinsic reward involves - *Job security, attractive salary, promotion and growth and recognition*. To investigate the relationship between the Reward System and Employee Engagement, the following conceptual framework is developed.

Intrinsic Rewards

Figure 1 Conceptual framework



2.19 Summary of Research Hypothesis

The main objective of this study is to uncover the Relationship between intrinsic and extrinsic rewards on employee engagement in the credit management of Commercial Bank of Ethiopia (CBE). It is commonly believed that if diverse rewards are used effectively, they can make employees fully engaged.

Intrinsic reward has an increasingly competitive difference in ultimately ensuring that the employees are attracted, motivated and retained in the organization. But many organizations have limited time and effort to spend on considering intrinsic reward as a source of employee engagement. Anyhow, not all is lost. Bevan (2003) demonstrated that many employers currently shift to non-financial recognition scheme to attract and retain employees. When organizations provide employees with intrinsic rewards, the employee may perceive the organization as supportive and caring. This is especially when the rewards given have the psychological benefits an employee can obtain from the work. From the premises, it was hypothesized that:

H1: There is positive relationship between interesting work and employee engagement.

H2: There is positive relationship between Job appreciation and employee engagement.

H3: There is positive relationship between Job satisfaction employee engagements.

H4 There is positive relationship between Employee Stress and employee engagement.

Extrinsic rewards are typically directly related to pay or such other tangible issues in an organization. They may enhance productivity by improving the involvement and commitment of the employees. The use of extrinsic rewards is tightly linked to the economic quests of the employees. As such, it is postulated that:

H5: There is positive relationship between Job security and employee engagement.

H6: There is positive relationship between attractive Salary and employee engagement..

H7: There is positive relationship between promotion & growth and employee engagement.

H8: There is positive relationship between Recognition and employee engagement.

CHAPTER THREE

RESEARCH METHODOLOGY

The chapter outlines the research methodology used in the study. The specific focus of this chapter is to outline the research design, population and sampling techniques, data collection, research procedures and the data analysis methods implemented in the research

3.1 Research Design

The study aimed to use both qualitative and quantitative data and the method of analysis is descriptive type.

Descriptive research, according to Best (1970, quoted in Cohen, Lawrence, & Keith, 2000, p. 169) is concerned with “conditions or relationships that exist, practices that prevail , beliefs, points of views, or attitudes that are held, processes that are going on, effects that are being felt, or trends that are developing.” Descriptive researches are more concerned with facts, which in turn fit with the researcher’s topic to meet the objective. Blumberg (2005) also defines a descriptive research as one that is used to obtain information concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation. The methods involved range from the survey which describes the status quo, the correlation study which investigates the relationship between variables. It is usually concerned with describing a population with respect to specific variables. The major advantage of using descriptive research design is that it provides a relatively complete picture of what is occurring at a given time and also allows the development of questions for further study (Blumberg et al., 2005).

3.2 Population and Sample Design

3.2.1 Population

The study population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It forms the basis from which the sample or subjects for the study has drawn. Blumberg et al. (2005) refers to it as total collection of elements about which we wish to make some inferences.

The target population of the study is employees working in commercial Bank of Ethiopia-Credit Management. The population includes all professional employees working under credit process in Addis Ababa Central Processing Center and eleven Districts located outside Addis Ababa. The target population planned to be 208 employees as depicted below:

Table 2 Population of the research

No.	Job Title	Total number	Sub-process
1	Director	1	Credit Appraisal
2	Director(f1)	2	Credit Management
3	Manager(f1)	12	Portfolio Management
4	District Manager	11	Credit Management
5	Customer Relationship Manager (f15)	69	Credit Management
6	Credit Analyst/Appraisal expert (f8)	33	Credit Appraisal
7	Engineer (f5)	47	Credit Management & Appraisal
8	Credit Administrator(f7)	50	Credit Management
9	Legal Expert(f3)	30	Credit Management
10	Credit Advisors (f1)	3	Credit Management
TOTAL		208	

3.2.2 Sample size and sampling techniques

The selected sampling technique used in the research is Stratified Sampling under probably sampling. The population is stratified based on specific job title and the following sample size calculator formula has used from website www.surveysystems.com as shown below).To take appropriate size, simple random sampling has used to determine the sample size from each stratum. The technique is selected considering the small size of the population and to give equal chance to all targeted population. In this sampling technique the researcher has use his

own bias upon introducing the simple random sampling to select participants from each job category.

$$n = \frac{Z^2 P^*(1-P)}{C^2}$$

Where:

‘Z’ is the confidence level which is represented by 95% or 1.96 in this case

‘P’ is the largest possible proportion, 50% in this case

‘C’ is the margin of error or the confidence interval, 5% in this case

Based on the above formula, the sample size can be calculated as;

$$n = \frac{1.96^2 \cdot .5 \cdot (1-.5)}{.05^2}$$

Accordingly, the largest proportion of 50% will be considered; therefore, the total sample will be 135 employees working in credit management process. Sampling particularly purposive sampling has been used to select the directors and managers of the credit process. Purposive sampling helps the researcher to use his/her judgment to select cases that has enable the study address the hypotheses or research question(s) and to meet the objective of the research (Sekaran, 2003). Therefore, the study considers the directors and managers as well as senior staffs from professional employees is reasonable.

3.3 Data Collection Procedures and Instrument

The research instrument used in this study for data collection was 12 previously validated structured questions designed by Gallup Consulting Firm to measure the level of engagement (dependent variable) and 28 structured questions extracted from previous works conducted in the subject matter for the selected eight intrinsic and extrinsic variables. A questionnaire was

chosen because it was believed to be less expensive and it won't consume a lot of time. This method was also be selected with due consideration to the busy schedule of most of the respondents. The questionnaire allowed respondents to complete them at their convenient time. As the researcher is one of the employees of the credit management, he administrated and collected the questionnaires. The respondents were guided on how to respond to the questions and assured its confidentiality on the information collected. They were made to return the filled questionnaires within ten days.

The data were measured using 5-point Likert scale ranging from 1=strongly disagree to 5=strongly agree with the sets of statements. In addition to this, there are also demographic questions to test relationship between variable. Employees' job engagement was measured by rating their opinion with the various work dimensions that affect employee engagement including Job security, attractive job, promotion and growth, Recognition, attractive salary, Job appreciation, Job satisfaction and stress.

3.4 Data Analysis and measurement Methods

The data collected are both quantitative and qualitative. The questionnaire that are developed by the researcher has include well tested and validated questions of Gallup consulting firm called '12Q' to measure engagement level of employee with three categories of *Engaged Not Engaged* and *Actively Disengaged*. After the data collection, questions has checked for completeness and data coded for easy input. Percentages, means and standard deviation and frequencies have used to facilitate easy understanding. Quantitative data are presented using tables and graphs. Correlation has employed to show the relationship between reward system (both the above listed intrinsic and extrinsic rewards) and employee engagement. The data will be analyzed using Statistical Package for Social Sciences (SPSS). Among others ANOVA and

regression analysis also used to know the significance of the impact of each variable to the dependent variable employee engagement, for which a model has developed.

3.5 Data Quality Assurance

3.5.1 Validity

As stated earlier, the questionnaire was developed with due care containing 47 items, 7 of which are demographic items. Reward assessment measurements were adopted from various scholar works. Items in the questionnaire were prepared using a five point-Likert scale except the demographic items. Maximum effort was exerted to create logical link between the items in the questionnaire and the objectives of the study. Therefore, in order to ensure content validity of the items incorporated in the instrument highly experienced professionals have examined the instrument before it was distributed. Besides, the instrument was given to my advisor and my colleagues to comment on it. Accordingly, based on their comments the questionnaires were distributed to the sample population.

3.5.2 Reliability

Internal consistency of items incorporated in the instrument was checked by using Cronbach Alpha. Means of each variable was computed and then the reliability was checked based on the means. The following table shows the SPSS result on the Cronbach Alpha.

Table 3 Reliability statistics of the instrument

Cronbach's Alpha	Number of Items
0.904	40

As indicated in the above table the Cronbach Alpha test implies that the instrument's internal consistency as 90% which is above the acceptable percentage.

3.6 Ethical Consideration

The researcher has got official authorization from the Directors – Business, Corporate and Commercial Customer Relationship Management to distribute questionnaire to all employees within the department and conduct the research. Anonymity of the respondents will be maintained with all data obtained will be used for academic purposes only.

CHAPTER FOUR

BACKGROUND OF THE COMPANY, DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The main purpose of this chapter is to test the hypotheses and answer the research question. This chapter is divided into two parts. In the first part few tests are applied on data with the help of SPSS while in the second part the results of these tests are discussed. Furthermore, these empirical results are also linked with conceptual frame work of the study. The chapter also started with background of the organization.

4.1 Background of Banking History in Ethiopia

It was in 1905 that the first bank, "Bank of Abyssinia", was established based on the agreement signed between the Ethiopian government and the Bank of Egypt, which was owned by the British. The Ethiopian government, under Emperor Haile-Siellassie, closed "Bank of Abyssinia" paid compensation to its shareholders and established the Bank of Ethiopia fully owned by Ethiopians in 1942. The Bank was authorized to combine the functions of central banking and commercial banking activities. Then after, various foreign banks were established during the Italian invasion. Subsequently, in 1963 the Ethiopian government has separated the central bank activities with that of commercial bank activities and established NBE (National Bank of Ethiopia) and CBE (Commercial Bank of Ethiopia). *Profile of Commercial Bank of Ethiopia, 2015.*

In Ethiopian banking history, the first privately owned company was known as "Addis AbabaBank" which was established in 1964. There were also other foreign banks such as Banco DiRoma, Banco Di Napoli etc. Later on these banks were nationalized and merged with the CBE there by creating a monopoly of the commercial banking services in Ethiopia.

4.2 Background of CBE

Commercial Bank of Ethiopia was legally established on 1963. The bank after staying in the business for more than seven years, it was merged with privately owned Addis Ababa Bank in 1974. Since then, it has been playing significant role in the development of the country. The bank is pioneer to introduce modern banking to the country. Currently, it has more than 1,100 branches stretched across the country. The total asset of the bank reached to Birr 359.3 billion as of March 31, 2016. The bank has 12.4 million account holders and the number of Mobile and Internet banking users also reached to 600,000. The bank has many correspondent banks all over the world.

Commercial Bank of Ethiopia (CBE) has been intensely expanding during the last ten years to realize its vision to become a world class commercial bank by the year 2025. The company has more than 25,0000 permanent employees as of June 2015, of which 73% of them are in their early career that have less than five years of experience.

4.2.1 CBE's Vision

"To become a World – class Commercial Bank by the year 2025."

4.2.2 CBE's Mission

We are committed to best realizing of stakeholders' values through enhanced financial intermediation globally and supporting national development priorities by developing highly motivated, skilled and disciplined employees as well as state-of-the art technology. We strongly believe that winning public confidence is the basis of our success.

4.2.3 Core Values of CBE

- Integrity
- Customer satisfaction
- Employee satisfaction
- Learning organization
- Teamwork and collaboration
- Public trust
- Value for money
- Decentralization
- Corporate Citizenship

4.3 Data Presentation, Analysis and Interpretation

After obtaining the questionnaire from the respective respondents and the following statistical tests were executed using SPSS software.

1. Descriptive statistics (Frequency)
2. Reliability analysis (Cronbach's Alpha)
3. Bivariate Correlation
4. Regression analysis

4.4 Descriptive statistics

Descriptive statistics have a number of uses for the researchers to interpret the results of output. It is useful to human subjects like employees of Commercial Bank of Ethiopia (CBE).

Descriptive statistics is helpful to collect information on the number of people in the sample,

the number and percentages of females and males in the sample, education level and other relevant demographical backgrounds. We used descriptive statistics because it is useful to describe the characteristics of the sample, to check the violation of assumptions in variables, to address specific research question (Pallant, 2005, p.49). To obtain descriptive statistics we have used the given frequencies about respondent's age, salary level, gender, qualification and marital status.

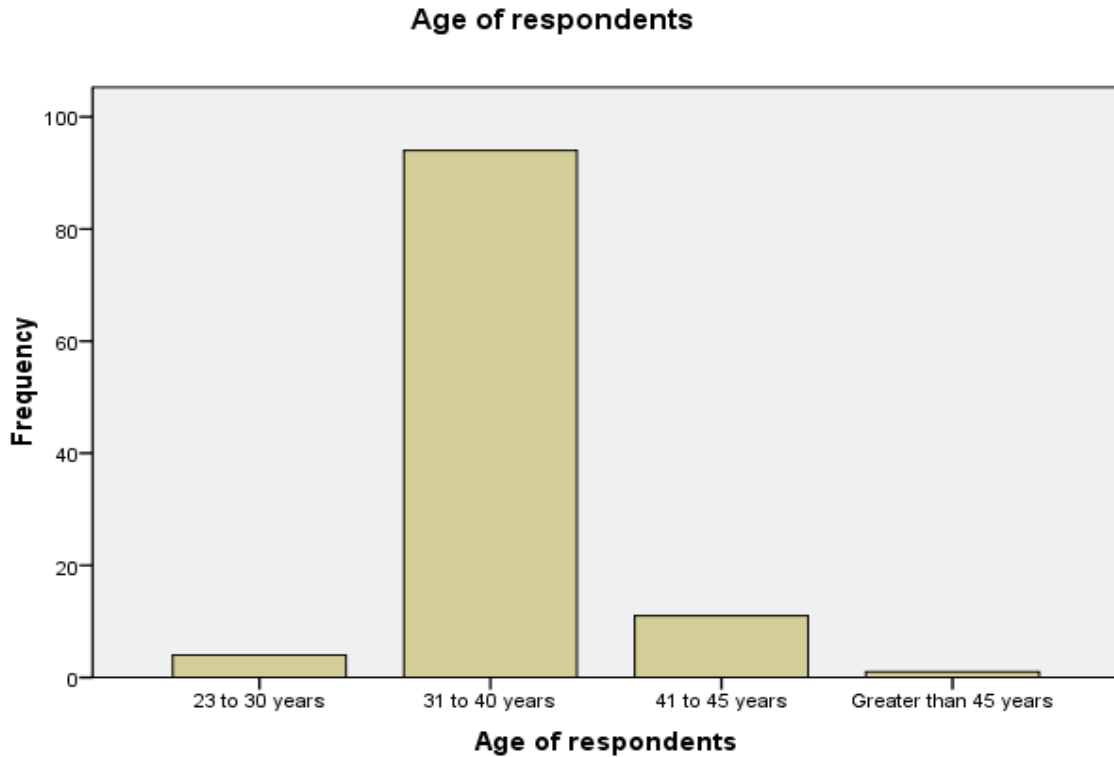
4.4.1 Age of Respondents

From the output shown below we come to know that 4 respondents (3.6%) were between 23 and 30 of age, 94 respondents (85.5%) were between 31 and 40, and 11 respondents (10%) were 41 to 45 and above 45, giving a total of 1 respondent. In this regard, most of credit management staffs' age falls within 31 and 40.

Table 4 Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 23 to 30 years	4	3.6	3.6	3.6
31 to 40 years	94	85.5	85.5	89.1
41 to 45 years	11	10.0	10.0	99.1
Greater than 45 years	1	.9	.9	100.0
Total	110	100.0	100.0	

Figure 2 Age of Respondents



The above bar chart shows that age of employees of Commercial Bank of Ethiopia – Credit Management. The chart clearly indicates that most of the credit management employees were in the age of 31 to 40. Most of the respondents were matured, this in turn indicate that most of them are engaged in their work as indicated on the overall engagement level.

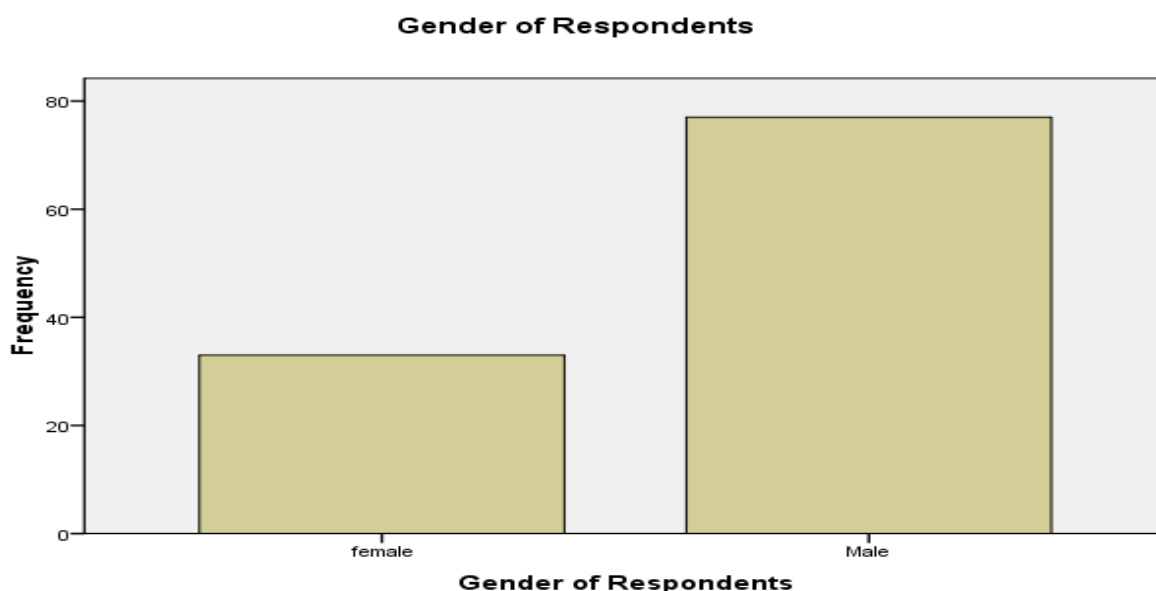
4.4.2 Gender of Respondents

The output table presented below shows the frequency distribution for respondent’s gender. There are 77 males (70%) and 33 females (30%) in the sample giving a total of 135 respondents. It was also seen that the number of males are more as compared to female. This in turn indicates that male dominance is still revealed in major economic sector in the country.

Table 5 : Frequency Distribution Table of respondent's gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid female	33	30.0	30.0	30.0
Male	77	70.0	70.0	100.0
Total	110	100.0	100.0	

Figure 3 Gender of respondents



The above bar chart indicates that the responses of male bank employees to motivation and employee engagement survey were more as compared to female employees.

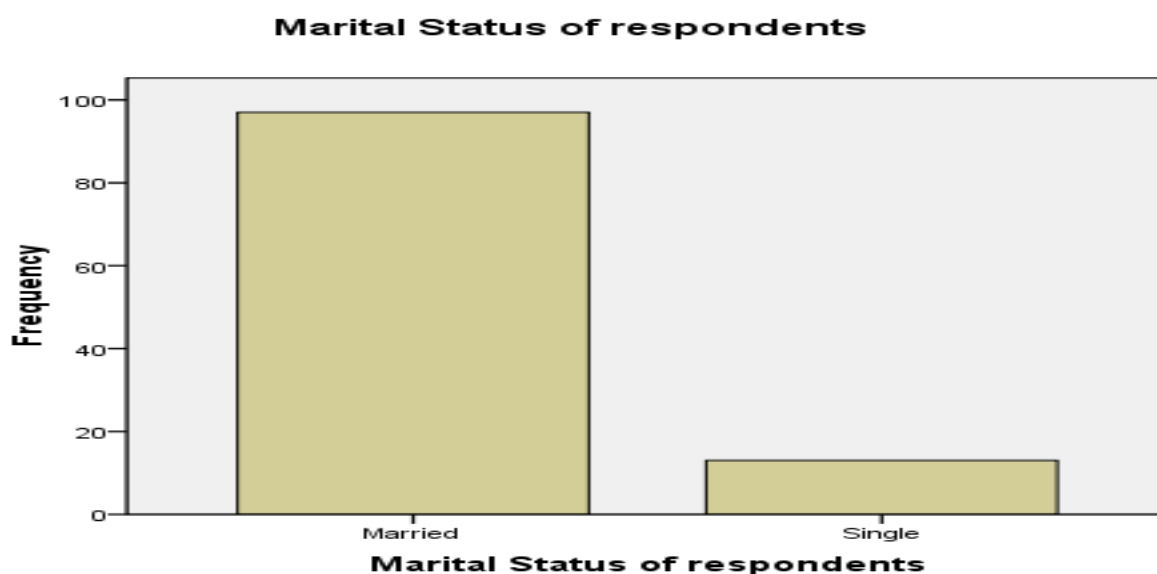
4.4.3 Marital Status of Respondents

The output table for marital status of the respondents" shows that 129 employees were married (69 per cent) and 58 employees (31 per cent) were single in the sample, giving a total of 187 respondents. It is the trend in Pakistan to first find a job and secure it and then get marry. The large number of married respondents indicates that most of them have secured their jobs; therefore they will work for the same organization for long because they have to support their families.

Table 6 Frequency distribution of respondent's marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	97	88.2	88.2	88.2
	Single	13	11.8	11.8	100.0
	Total	110	100.0	100.0	

Figure 4 Marital status of Credit management employees



The bar chart clearly shows that the number of married employees was more than unmarried. It also indicates that more married employees inclined to engagement as per the engagement level.

4.4.4 Qualification of Respondents

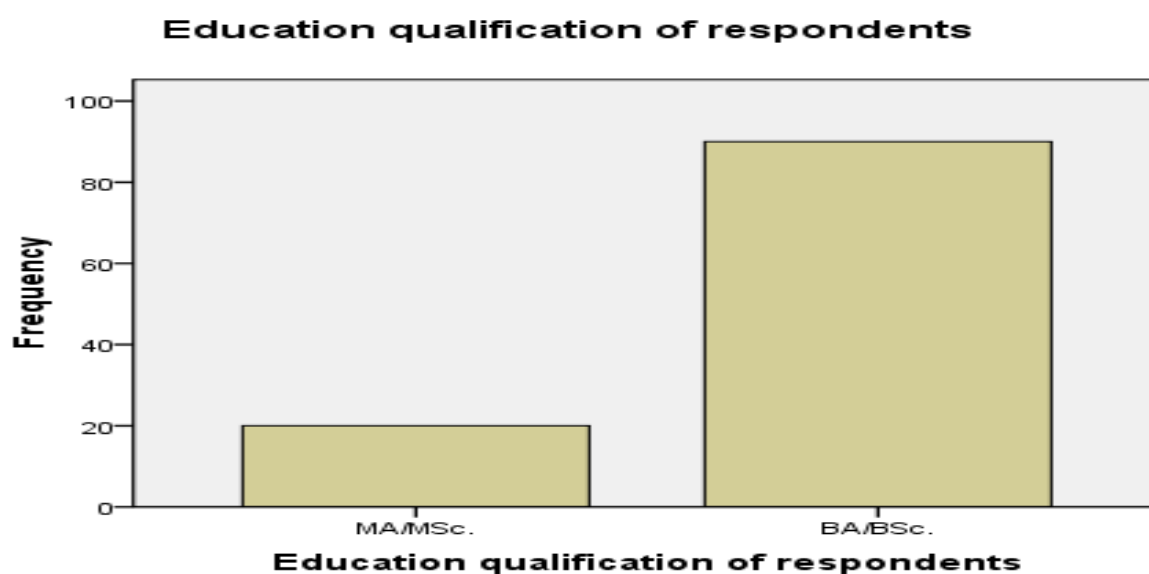
The following frequency table for qualification of respondents indicates there are 20 employees (18 percent) holding master degree, 90 (82 percent) bachelor holders. Most of bank employees are first degree holders; it is because Bachelor degree is now considered minimum qualification requirement for jobs in CBE.

Table 7 Frequency Distribution of respondent's qualification

Education qualification of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MA/MSc.	20	18.2	18.2	18.2
	BA/BSc.	90	81.8	81.8	100.0
	Total	110	100.0	100.0	

Figure 5 Qualification of respondents



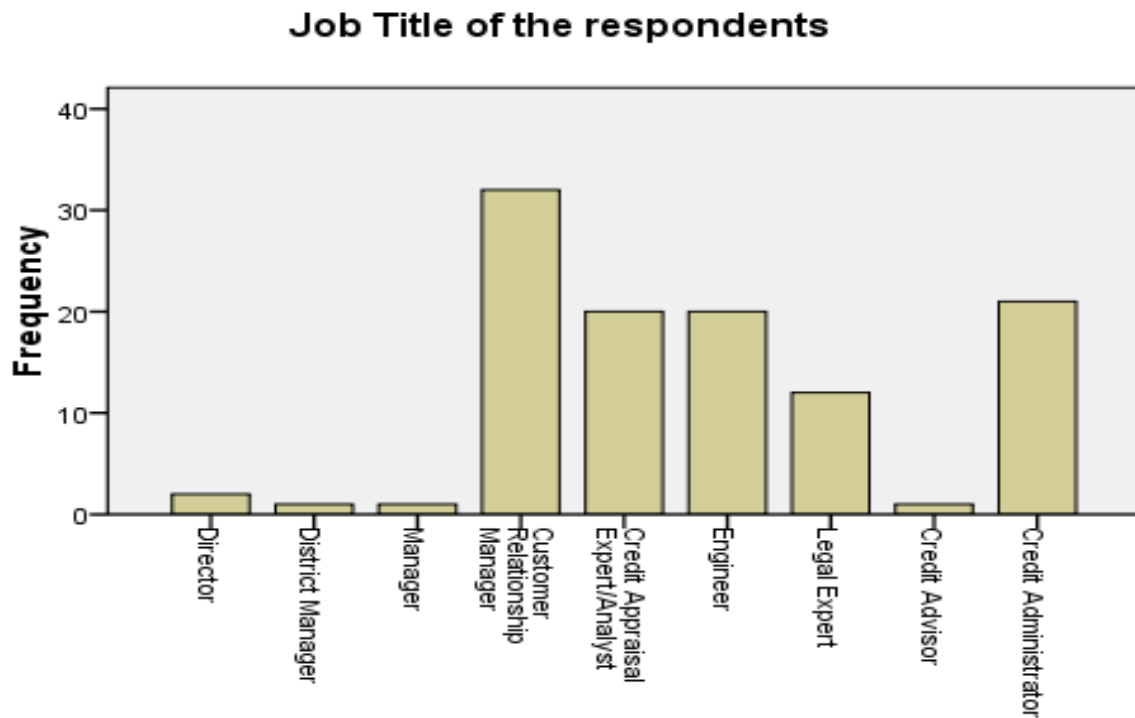
The graph presented above suggests that most employees in CBE- Credit Management process has higher scores values for first degree as compared to MA/MSc.. These in turn indicate that the higher educational level does not guarantee work engagement as lower level employees are more engaged.

4.4.5. Job title of respondents

Table 8 Job Title of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Director	2	1.8	1.8	1.8
	District Manager	1	.9	.9	2.7
	Manager	1	.9	.9	3.6
	Customer Relationship Manager	32	29.1	29.1	32.7
	Credit Appraisal Expert/Analyst	20	18.2	18.2	50.9
	Engineer	20	18.2	18.2	69.1
	Legal Expert	12	10.9	10.9	80.0
	Credit Advisor	1	.9	.9	80.9
	Credit Administrator	21	19.1	19.1	100.0
	Total	110	100.0	100.0	

Figure 6 Frequency distribution of job title of respondents

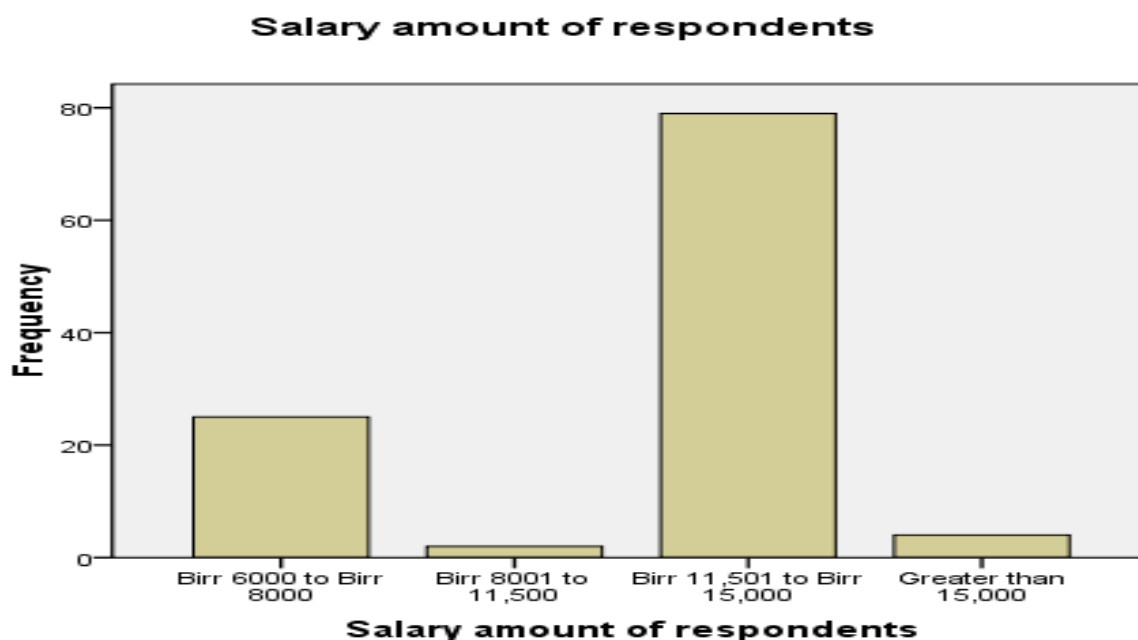


4.5.6 Salary of respondents

Table 9 Salary range of Credit management respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Birr 6,000 to Birr 8,000	25	22.7	22.7	22.7
Birr 8,001 to 11,500	2	1.8	1.8	24.5
Birr 11,501 to Birr 15,000	79	71.8	71.8	96.4
Greater than 15,000	4	3.6	3.6	100.0
Total	110	100.0	100.0	

Figure 7 Salary ranges of respondents



4.6 Reliability Analysis

The reliability of scale shows that how free the data is from random error. Therefore, it is always advisable to select that scale that is reliable. One of the most commonly used scales of reliability is internal consistency. Internal consistency refers to “the degree to which the items that make up the scales are all measuring the same underlying attributes (i.e. the extent to

which the items “hang together”) (Pallant, 2005). There are number of ways in which internal consistency can be measured, the most commonly used statistics is Cronbach’s coefficient alpha. Cronbach’s coefficient gives indication about the average correlation among all of the items in the scale. Cronbach’s coefficient alpha value lies between 0 and 1 (Pallant, 2005, p.6). According to George and Mallery (2003) if the value of Cronbach’s coefficient alpha is greater than 0.9 it propose an outstanding internal reliability, if this value is greaterthan0.8 than it is consider Good,0.7 is satisfactory, 0.5is consider poor and less than 0.5 is unacceptable. To do reliability analysis Cronbach’s alpha test would be carry find out how strong or weak the internal reliability is.

Table 10 Cronbach’s coefficient alpha

Variables	Number of items	Cronbach’s alpha
Intrinsic rewards	15	.76
Extrinsic Rewards	13	.813
Employees Engagement	12	.833
TOTAL	40	0.904

Inter reliability was tested for each individual variables as well as total of all variables of the study. Intrinsic motivation has 15 items, and its Cronbach’s alpha value is 0.76, which is more than 0.7 therefore it is statistically acceptable. The number of items of extrinsic motivation is also 14 and the value of its Cronbach’s alpha is 0.813, since it is more than 0.80, therefore it also statistically acceptable. The last variable is Employee Engagement which has 12 items, and its Cronbach’s alpha value is 0.833, more than 0.80, therefore it inter reliability is between outstanding and good. When the sum of all three variables was tested, it turned out 40 items with the highest Cronbach’s alpha value 0.904 in the table. The Cronbach’s alpha value for all

40 items suggested that the data collected through questionnaires is reliable and can be used for further statistical analysis.

4.7 Bivariate Correlation Analysis

Correlation analysis is normally used to describe the strength and direction of the linear relationship between two variables. SPSS provides number of statistics to find relationship between variables, according to my study and variables will use only bivariate correlation (also known as zero-order correlation) (Pallant, 2005, p.121). Bivariate correlation is used to find relationship between two variables; the study is investigating a relationship between Rewards system (intrinsic & extrinsic) and employee engagement, for which bivariate correlation best fit the test. The strength of relationship between variables is obtained through Pearson product-moment correlation coefficient(r). The value of Pearson product-moment correlation coefficient (r) normally varies between -1 to +1. The sign indicates whether there is a positive correlation (as one variable increase, other also increase) or negative correlation (as one variable increase, other decrease). The strength of relationship is indicated by the size of the absolute value (ignoring the sign). +1 or -1 shows a perfect correlation, it also indicates that the value of one variable can be determined exactly by knowing the value on the other variable. If a scatter plot is form for this perfect correlation it will be a straight line. Similarly a correlation of 0 shows that there is no relationship between two variables, it also indicates that knowing the value of one variable provides no assistance in predicting the value of other variable. A scatter plot would show a circle of points, with no pattern evidence (Pallant. 2005, p121). In the next part correlation between intrinsic rewards and employee engagement, and correlation between extrinsic rewards and employee engagement will be calculated with the help of bivariate Pearson correlation coefficient.

Table 11 Mean and Standard deviation of Intrinsic Rewards

	Mean	Std. Deviation	N
ENGAGEMENT	3.7720	.40016	110
INTERESTINGWORK	3.4515	.49583	110
JOBAPPRICIATION	4.2345	.39618	110
JOBSATISFACTION	4.2341	.33742	110
EMPLOYEE STRESS	3.8879	.52903	110

The means and standard deviations of the variables of the study are shown in Table 11 describe the mean or the average response of the respondents about the degree of their level of *work engagement* was 3.77 (SD=.40) on a 5-point scale. This indicated the majority of the respondents had an above average work engagement.

The mean response of their degree of agreement with the *interesting nature of their work* was 3.45 (SD=0.49) on a 5-point scale. This shows all in all the respondents nearly (though not fully) agreed (between “neither agree nor disagree” to “agree”) about the level of engagement. Job Appreciation was 4.23 (SD=0.39) a 5-point scale. This shows all in all the respondents agreed about the level of engagement and above average engagement level. Likewise, The mean response of their degree of agreement with the *Job Satisfaction* was 4.23 (SD=0.34) on a 5-point scale. This shows all in all the respondents agreed about the level of engagement. Finally, the mean response of their degree of agreement with the *Employee Stress* was 3.89 (SD=0.52) on a 5-point scale. This shows all in all the respondents nearly (though not fully) agreed (between “neither agree nor disagree” to “agree”) about the level of engagement.

Table 12 Correlation between Intrinsic variables

		ENGAGEMENT	INTERESTING WORK	JOB APPRECIATION	JOB SATISFACTION	STRESS
ENGAGEMENT	Pearson Correlation	1	.531**	.466**	.679**	.346**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	110	110	110	110	110
INTERESTING WORK	Pearson Correlation	.531**	1	.209*	.733**	.381**
	Sig. (2-tailed)	.000		.028	.000	.000
	N	110	110	110	110	110
JOB APPRECIATION	Pearson Correlation	.466**	.209*	1	.344**	.646**
	Sig. (2-tailed)	.000	.028		.000	.000
	N	110	110	110	110	110
JOB SATISFACTION	Pearson Correlation	.679**	.733**	.344**	1	.371**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	110	110	110	110	110
STRESS	Pearson Correlation	.346**	.381**	.646**	.371**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	110	110	110	110	110

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

* . Correlation is significant at the 0.05 level (2-tailed).

Table 12 shows the inter-correlations among the variables were found to be in the hypothesized direction. Significant correlations were observed between work-engagement and *interesting work* ($r=.531, p<.01$) and work engagement and *job appreciation* ($r=-.466, p<.01$), work engagement and *job satisfaction* ($r=.679, P<.01$), and work engagement and *stress* ($r=.346, P<.01$) indicating the more employees have interesting work, appreciation on their jobs, satisfaction with their jobs, and less stress level in their work, the more their work engagement would be.

Table 13 Mean and Standard deviation of Intrinsic Rewards

	Mean	Std. Deviation	N
ENGAGEMENT	3.7720	.40016	110
JOB SECURITY	3.4864	.28901	110
ATTRACTIVESALARY	3.1061	.86844	110
GROWTH & PROMOTION	2.5000	.51630	110
RECOGNITION	2.3970	.33025	110

The means and standard deviations of the variables of the study are shown in Table 13 describe the mean or the average response of the respondents about the degree of their level of *work engagement* was 3.77 (SD=.40) on a 5-point scale. This indicated the majority of the respondents had an above average work engagement. The mean response of their degree of agreement with the Job Security was 3.49 (SD=0.29) on a 5-point scale. This shows all in all the respondents nearly (though not fully) agreed (between “neither agree nor disagree” to “agree”) about the level of engagement. Attractive Salary was 3.11 (SD=0.87) a 5-point scale. This shows all in all the respondents nearly (though not fully) agreed (between “neither agree nor disagree” to “agree”). Likewise, the mean response of their degree of agreement with the *Growth and Promotion* was 2.5 (SD=0.52) on a 5-point scale. This shows that on average the respondents point fall nearly on disagreement about the level of engagement. Finally, the mean response of their degree of agreement with the Recognition through various reward system was 2.40 (SD=0.33) on a 5-point scale. This shows all in all the respondents nearly disagree about the level of engagement.

Table 14 Detail Correlation between Extrinsic Rewards and Employee Engagement

Correlation		ENGAGEMENT	JOBSECURITY	ATTRACTIVESALARY	GROWTHPROMOTION	RECOGNITION
ENGAGEMENT	Pearson Correlation	1	.307**	.417**	.288**	.483**
	Sig. (2-tailed)		.001	.000	.002	.000
	N	110	110	110	110	110
JOBSECURITY	Pearson Correlation	.307**	1	.621**	.610**	.506**
	Sig. (2-tailed)	.001		.000	.000	.000
	N	110	110	110	110	110
ATTRACTIVESALARY	Pearson Correlation	.417**	.621**	1	.838**	.758**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	110	110	110	110	110
GROWTHPROMOTION	Pearson Correlation	.288**	.610**	.838**	1	.457**
	Sig. (2-tailed)	.002	.000	.000		.000
	N	110	110	110	110	110
RECOGNITION	Pearson Correlation	.483**	.506**	.758**	.457**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	110	110	110	110	110

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

Table 14 shows the inter-correlations among the variables were found to be barely in the hypothesized direction. Significant correlations were observed between work-engagement and Job Security ($r=.307, p<.01$) and work engagement and Attractive Salary ($r=-.417, p<.01$), work engagement and Growth & Promotion ($r=.288, P<.01$), and work engagement and Recognition ($r=.483, P<.01$) indicating the more employees have feeling of secured in their job, attar active salary and recognition, the more their work engagement would be. However, the interest of employees for growth and promotion could not have relationship with engagement.

4.8 Intrinsic Rewards and Employee Engagement

The relationship between employee engagement and intrinsic rewards was investigated using Pearson product-moment correlation coefficient. There was a strong, positive correlation between employee engagement and intrinsic rewards. ($r = 0.638$.)

Table 15 Correlation between Intrinsic Rewards and Employee Engagement

		ENGAGEMENT	INTRINSIC
ENGAGEMENT	Pearson Correlation	1	.638**
	Sig. (2-tailed)		.000
	N	110	110
INTRINSIC	Pearson Correlation	.638**	1
	Sig. (2-tailed)	.000	
	N	110	110

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

4.9 Extrinsic Rewards and Employee Engagement

The relationship between employee engagement and extrinsic motivation was investigated using Pearson product-moment correlation coefficient. There was a strong, positive correlation between employee engagement and extrinsic rewards. ($r = 0.428$), which is not as strong as intrinsic reward.

Table 16 Correlation between Extrinsic Rewards and Employee Engagement

		ENGAGEMENT	EXTRINSIC
ENGAGEMENT	Pearson Correlation	1	.428**
	Sig. (2-tailed)		.000
	N	110	110
EXTRINSIC	Pearson Correlation	.428**	1
	Sig. (2-tailed)	.000	
	N	110	110

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

4.10 Interpretation of output from correlation table

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

4.10.1 Information about the sample

The important aspect of correlation table is the N (number of cases). The final questionnaires for Intrinsic Rewards, Extrinsic Rewards and Employee Engagement we got after performing the required normality test for data were 110, which is also shown in correlation table. There was no missing value therefore when we get confirm about our sample size then correlation analysis were performed.

4.10.2. Determining the direction of the relationship

The positive and negative sign in front of correlation coefficient (r) value shows the direction of the relationship between variables. The value of correlation coefficient (r) is positive in both cases, showing positive relationship between Intrinsic Rewards and Employee Engagement, and Extrinsic Rewards and Employee Engagement.

4.10.3 Determining the strength of the relationship

As mentioned earlier the strength of relationship is shown by correlation coefficient value. As correlation coefficient (r) value for Intrinsic Rewards and Employee Engagement large is ($r=.638$, $P<0.001$, $N=110$), therefore showing strong relationship. The correlation coefficient (r) value for Extrinsic Rewards and Employee Engagement is ($r =0.428$, $P=<0.001$, $N= 110$) therefore, showing strong relationship but it was not as strong as the Intrinsic Rewards.

4.11 Assessing the significance level

Significance level is strongly influenced by the size of sample (Pallant, 2005, p.127). As the significance level both for Intrinsic Rewards and Extrinsic Rewards is less than .001 and sample size is also large, therefore it also confirms positive strong relationship between Intrinsic Rewards and Employee Engagement, and Extrinsic Rewards and Employee Engagement.

Concluding remarks of the test: From the results of correlation table shows that there is strong relationship between Intrinsic Rewards and Employee Engagement, and Extrinsic Rewards and Employee Engagement. Intrinsic Rewards shows more strong relationship with Employee Engagement as compared to Extrinsic Rewards.

4.12 ANOVA

ANOVA analysis is normally used to compare the mean scores of more than two groups or variables. It is also called analysis of variance because it compares the variance between groups (Pallant, 2005, p.214). The F ratio or F statistic represents the variance. If the F ratio is large and probability is less than 0.05 then it is termed statistically significant (Saunders, 2012) A significant F test indicates that we can reject the null hypothesis and accept alternate hypothesis, stating that the population means are equal (Pallant, 2005, p.214). We will use ANOVA to check the acceptance or rejection of hypotheses of the study.

4.13 Intrinsic Motivation and Employee Engagement

The first hypothesis of the study infers that there is positive relationship between intrinsic rewards and employee engagement as shown below.

H1: There is positive relationship between interesting work and employee engagement.

H2: There is positive relationship between Job appreciation and employee engagement.

H3: There is positive relationship between Job satisfaction employee engagements.

H4 There is positive relationship between Employee Stress and employee engagement.

Null Hypothesis 0: There is no positive relationship between intrinsic Rewards (*interesting work, Job appreciation, Job satisfaction & Employee Stress*) and Employee Engagement.

Table 17 ANOVA table for Intrinsic Rewards & Employee Engagement

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.103	1	7.103	74.110	.000 ^a
	Residual	10.351	108	.096		
	Total	17.454	109			

a. Predictors: (Constant), INTRINSIC

b. Dependent Variable: ENGAGEMENT

From the above ANOVA table it can be seen that F ratio is 74.110 and the significance level is less than 0.05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H1). The large value of F ratio and less value of significance level [F = 74.110 p<.0005.] indicates that we have to reject the null hypothesis and accept alternate hypothesis i.e. There is a strong relationship between intrinsic rewards and employee engagement.

4.14 Extrinsic Rewards and Employee Engagement

The second hypothesis of the study infers that there is strong relationship between extrinsic rewards and employee engagement as shown below:

Alternate Hypothesis

H5: There is strong relationship between Job Security and employee engagement.

H6: There is strong relationship between Attractive Salary and employee engagement.

H7: There is strong relationship between Growth and Promotion employee engagements.

H8 There is strong relationship between Recognition and employee engagement.

Null Hypothesis 0: There is no significant relationship between Extrinsic Rewards (Job Security, Attractive Salary, Growth and Promotion and Recognition) and employee engagement.

Table 18 ANOVA table for Extrinsic Rewards & Employee Engagement

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.197	1	3.197	24.218	.000 ^a
	Residual	14.257	108	.132		
	Total	17.454	109			

a. Predictors: (Constant), EXTRINSIC

b. Dependent Variable: ENGAGEMENT

From the above ANOVA table it can be seen that F ratio is 24.218 and the significance level is less than .05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H2). The large value of F ratio and less value of significance level [F = 24.218, p<.0005] indicates that we have to reject the null hypothesis and accept alternate hypothesis i.e. There is a significant relationship between extrinsic rewards and employee engagement.

Concluding remarks of the test: From the ANOVA test as performed above, it is concluded that the alternate hypotheses of the study are accepted. Hence proved that, there is strong positive relationship between Intrinsic Rewards and Employee Engagement, and Extrinsic Rewards and Employee Engagement. However, the relationship between Intrinsic Rewards and Employee Engagement is much stronger than Extrinsic Rewards.

Table 19 Employee Engagement level of CBE- Credit Management

	Mean	Std. Deviation	N
I know what is expected of me at work	4.50	.602	110
I have the materials and equipment I need to do my work right	3.79	.779	110
At work, I have the opportunity to do what I do best every day	3.17	.728	110
In the last seven days, I have received recognition or praise for doing good work	3.30	1.000	110
My supervisor, or someone at work, seems to care about me as a person	3.68	.834	110
There is someone at work who encourages my development.	3.74	.686	110
At work, my opinions seem to count.	3.57	.772	110
The mission or purpose of my company makes me feel my job is important	4.03	.394	110
My associates or fellow employees are committed to doing quality work	4.02	.383	110
I have a best friend at work	3.65	.535	110
In the last six months, someone at work has talked to me about my progress.	3.90	.541	110
This last year, I have had opportunities at work to learn and grow.	3.92	.561	110

As we can see above the average mean or mean of mean is nearly 4, which in turn revealed that employees in credit management are engaged in their work and intrinsic rewards contributes the higher contribution for the engagement as compared with the extrinsic rewards.

4.15 Multiple Regression Analysis

Multiple regression analysis is used to explore the relationship between one dependant variable and a number of independent variables or predictors (Pallant, 2005). Multiple regression also tells that how much of the variance in the dependent variable can be explained by independent variables. It also determines the statistical significance of the results, both in terms of model and the individual independent variables (Pallant, 2005). One of the purposes of this study is to find

the impact of intrinsic and extrinsic rewards on employee engagement. I am using multiple regressions because I want to find the impact of two independent variables (Intrinsic Rewards & Extrinsic Rewards) on one dependent variable (Employee Engagement). Multiple regressions allow using the independent variables as a predictor for dependant variable. Therefore it is appropriate for this kind of study. The regression model of the study is:

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + \dots + B_nX_n + u$$

Y= Dependent variable (Employee Engagement)

a= constant

B= Regression Coefficient

X= independents (Intrinsic Rewards and Extrinsic rewards)

U= Residual factor

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

Table 20 Summary of regression model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638 ^a	.407	.396	.31103

a. Predictors: (Constant), INTRINSIC, EXTRINSIC

The value of the adjusted r square (regression coefficient) is .396 (.396x100=39.6 percent) indicating that how much of the variance in the dependant variable (Employee Engagement) is explained by the model (which includes Intrinsic Rewards and Extrinsic Rewards). This also means that the model (which includes Intrinsic Rewards and Extrinsic Rewards) explains 39.6%

of the variance in employee engagement. In other words Intrinsic Rewards and Extrinsic Rewards explain 39.6% variation in employee engagement.

Table 21 ANOVA table for regression model

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.103	2	3.551	36.712	.000 ^a
	Residual	10.351	107	.097		
	Total	17.454	109			

a. Predictors: (Constant), INTRINSIC, EXTRINSIC

b. Dependent Variable: ENGAGEMENT

The higher F value and less significance value ($p < .01$) indicate that the model reaches statistical significance and this tests the null hypothesis that multiple R in the population is equal to zero.

Table 22 Coefficient table for regression model

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.780	.355		2.197	.030
	EXTRINSIC	-.001	.091	-.001	-.011	.991
	INTRINSIC	.758	.119	.639	6.354	.000

a. Dependent Variable: ENGAGEMENT

In order to find the contributions of each independent variable to dependant variable included in the model it has to be noticed that the value of standardized coefficient (Beta). The greater value of beta and less value of significance level ($p < .05$) of each independent variable will show the strongest contribution to dependant variable (Pallant, 2005). The largest beta coefficient for Intrinsic Rewards is .639 at significance level 0.000 ($p < .01$), meaning that Intrinsic Rewards (independent variable) makes the strongest unique contribution to explaining employee engagement (dependant variable) as compared to Extrinsic Rewards.

Therefore, as summarized in the table intrinsic rewards have strong impact on employee engagement as compared with the less contribution of Extrinsic Rewards. The ANOVA table indicates that the model of the study is statistically significant and valid. Furthermore, the coefficients table indicated that Intrinsic Rewards has more impact on employee engagement as compared to intrinsic Rewards. The purpose of the study is fulfilled by getting these results.

4.16 Summary of Analysis

4.16.1 Intrinsic Rewards and Employee Engagement

In order to answer the research question and meet the research purpose, first of all the relationship between intrinsic rewards and employee engagement was found. The results of Bivariate correlation conformed strong positive relationship between intrinsic rewards and employee engagement. The hypothesis was tested using ANOVA test, the results of the test confirmed the acceptance of the hypothesis i.e. *“There is a significant relationship between intrinsic rewards and employee engagement”*. Furthermore, regression analysis was used to find out the impact of intrinsic motivation on employee engagement. The results also confirmed that intrinsic rewards have significant impacts on employee engagement.

The research result suggests strong positive relationship between intrinsic rewards and employee engagement. Therefore, if intrinsic rewards for the employees are increased, it will also increase their engagement level. This is also confirmed by the impact of intrinsic rewards on employee engagement results. Lower employee intrinsic rewards will also lower their engagement level. Therefore, the results proved that if the engagement level of employees becomes lower, management has to provide intrinsic rewards. More specifically management has to consider make the work environment more interesting, job appreciation, satisfaction and reduce the level

of stress in their work while making any intrinsic compensation plan for their employees. According to the results most of employees wants to find their work interesting, most of them wants to be appreciated for their work, and most of them wants to be satisfied working for the bank. Stress was considered the big de-motivator and it is increased when employees face heavy work load and long working hours. Maskach and Leiter (2008) also associated burnout negative responses to the job in the form of job dissatisfaction and stress while working on engagement. Many Gallup surveys used interesting work, job appreciation, and satisfaction as engagement drives as well.

4.16.2 Extrinsic Rewards and Employee Engagement

Before jumping to the conclusion the relationship between Extrinsic rewards and employee engagement was found. The results of Bivariate correlation conformed that there is relatively weak positive relationship between extrinsic rewards and employee engagement as compared with Intrinsic rewards. Extrinsic Rewards has shown less strong relationship to employee engagement as compared to intrinsic Rewards. The hypothesis was tested using ANOVA test, the results of the test confirmed the acceptance of the hypothesis i.e. *“There is relatively strong relationship between extrinsic rewards and employee engagement”*. Furthermore, regression analysis was done to find out the impact of extrinsic rewards on employee engagement. The results confirmed that extrinsic rewards have no impact on employee engagement as compared to intrinsic rewards.

The research result suggests very strong positive relationship between Intrinsic Rewards and employee engagement. Therefore, if intrinsic rewards for the employees are increased it will make significant changes in employee engagement as compared to Extrinsic Rewards. This is also confirmed by greater impact of Intrinsic Rewards on employee engagement results. By lowering employee Intrinsic Rewards, employee engagement will also be lower. Therefore, the

results proved that to engage employees in their job, management need to pay more attention to Intrinsic Rewards as compared to Extrinsic Rewards. More specifically management has to take Interesting Work, Job Appreciation, Job Satisfaction and managed Stress in consideration while making any Intrinsic Rewards plan for employees. According to results of the study most of the employees are attracted to have Job Satisfaction. Next to this Interesting work, Job appreciation and stress follows.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

The objective of the study is to know the relationship between rewards system and employee engagement in the Commercial Bank of Ethiopia (CBE) Credit Department. In order to investigate the relationship the researcher opts to use structured questions in the form of five point likert scale. This chapter summarizes the main findings of the research, infers what the findings mean in the conclusion section, and forwards its recommendation in the areas where gaps were identified.

5.1 Summary of the Findings

The finding of the research finally lead to answer the research question discussed in chapter one i.e. *How do extrinsic rewards (Job security, Attractive Salary, Growth & promotion and Recognition) relate to employee engagement ?, How do intrinsic rewards (sense of Interesting work, Job appreciation, job satisfaction, Stress) relate to employee engagement? & Which of the two kinds of rewards (intrinsic or Extrinsic) is the most influential factor of employee engagement.* The research purpose of the study was to investigate any positive, negative, neutral or no relationship between intrinsic rewards and employee engagement, and extrinsic rewards and employee engagement. The study also examined the impact of intrinsic and extrinsic rewards on employee engagement. Two hypotheses were tested to answer the research question and fulfilled the research purpose i.e. *there is a positive relationship between intrinsic rewards and employee engagement and there is a positive relationship between extrinsic rewards and employee engagement.* Work motivation has its importance in any organization settings that is why every organization goes for different kind of motivation strategies to engage their

employees for better outcomes. Intrinsic and extrinsic rewards are considered the most influential factors used by organizations for motivation of their employees.

The researcher also used intrinsic and extrinsic reward elements in the study to find their relationship with employee engagement. The data was collected from Commercial Bank of Ethiopia- Credit management in the form of questionnaires. Questions were designed on the basis of literature used for dependant (employee engagement) and independent (intrinsic & extrinsic rewards) variables in literature chapter. The results of the findings suggested that employees of Commercial Bank of Ethiopia – Credit Management prefer intrinsic reward and extrinsic rewards for their engagement. However, intrinsic rewards highly influence the level of employees engagement. The hypotheses were tested using statistical tests (ANOVA); both hypotheses were accepted i.e. there is positive relationship between intrinsic rewards and extrinsic rewards and employee engagement with higher value to intrinsic reward. Another statistical test was carried out (multi regression) to find the impact of intrinsic and extrinsic rewards on employee engagement. The results of the tests proved that intrinsic rewards have positive impact on employee engagement. But the impact of extrinsic reward for work engagement is negative. Furthermore, intrinsic rewards had higher positive relationship with employee engagement as compared to extrinsic rewards.

When we see the variables separately, all variables categorized under intrinsic rewards have positive and above average mean score. Unlike intrinsic rewards two variables namely Growth and Promotion and Recognition have below average mean among the four extrinsic rewards and the remaining two variables have above average score.

5.2 Conclusion

Therefore, it is concluded that there is strong positive relationship between intrinsic & extrinsic rewards and employee engagement. Intrinsic rewards have high impact on employee engagement than extrinsic rewards. Since intrinsic rewards was measured with its four factors i.e. interesting work, job appreciation, Job Satisfaction and Employee Stress and scored above average mean value. However, the mean score of Growth and Promotion and Recognition among extrinsic rewards were below average score and reduced the overall mean score of extrinsic rewards.

5.3 Recommendation

Therefore, management of bank should consider these factors while working to increase employee engagement. Similarly, extrinsic rewards were measured through job security, attractive salary, promotion and growth and recognition. As compared to Extrinsic Rewards, intrinsic rewards elements were considered more important by bank employees. Therefore, management of the bank is required to concentrate more on these factors for employee engagement as compared to extrinsic reward factors. This study proved that both intrinsic and extrinsic rewards are to the greater extent relate to employee engagement. Any changes in intrinsic and extrinsic rewards will occur changes in employee engagement, therefore, bank management needs to formulate such polices that can make balance between intrinsic and extrinsic rewards for employee engagement. .

5.4 Theoretical Contribution

Findings of this study provide instruction to employers who are concerned about customer satisfaction and maximize banking operations efficiently and effectively. Customer satisfaction and productivity are increasing by providing rewards (intrinsic and extrinsic). Employees should be skillful, energetic with having great abilities to deal with customers and to maximize bank

good will. Organization should need to motivate employees intrinsically and extrinsically to be engage in their jobs, so that they can start hard work, loyal and honest with their job responsibilities. Banks should invest in their employees for successful operation. Otherwise, employees would be disengaged with their job, which cost them in sense of increased turnover. It is very clear that bank grows through financial reliability and maximization of their investments; therefore, employee work motivation is very appropriate for the excellence of banking operations and productivity. This study will also help employers to conduct further surveys for management implications. Banking sector will be equipped with useful information regarding rewards and engagement, which will help to formulate policies accordingly. Both organizations and employees could use the findings of the study for better outcomes. However, this study would be helpful not only for Commercial Bank of Ethiopia but for the entire private banking sectors in Ethiopia as almost all of them have similar structure and function.

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Dear participant,

My name is Wondyifraw Getachew and I am a graduate student at Addis Ababa University – School of Commerce. For my final project, I am examining the Relationship between *Rewards System and Employee Engagement* – the case of Commercial Bank of Ethiopia – Credit Management. Because you are one of the employees of the department, you are invited to participate in this research study by completing the following questions.

Thank you for taking the time to assist me in my educational endeavors. The data collected will provide useful information to measure the level of employee engagement in their work. If you require additional information or have any questions, please contact me through Mobile No. +251-0913-05-75-75.

Note

- ✓ *Please do not write your name*
- ✓ *Put “√” or “x” mark in the box to the point which mostly reflect your idea*
- ✓ *All information will be used only for academic purpose and treated confidentially*
- ✓ *Your honest and unbiased response will greatly contribute for the research to achieve its objective.*

I. Demographic data

1. Gender:

1. Male 2. Female

2. Work Experience:

- 1. 3 to 5 years
- 2. 6 to 10 years
- 3. 10 to 15 years
- 4. Above 15 years

3. Job Title

- 1. Director
- 2. District Manager
- 3. Manager
- 4. Customer Relationship Manager
- 5. Credit Appraisal Expert/Analyst
- 6. Engineer
- 7. Legal Expert
- 8. Credit Advisor
- 9. Credit Administrator

4. Marital Status

- 1. Married
- 2. Single

5. Education level

- 1. MA/Msc.
- 2. BA/BSc.
- 3. Diploma

6. Age

- 1. 23 to 30 years
- 2. 31 to 40 years
- 3. 41 to 45 years
- 4. >45 years

7. In which range your salary fall

1. Birr 6,000 to Birr 8,000 2. Birr 8,001 to 11,500 3. Birr 11,501 to 15,000
 4. Greater than Birr 15,000

II. Research Related Questions

The following questions are presented on a five point Likert scale. If the item strongly matches with your response choose 5 (Strongly Agree), if you moderately agree on the idea choose 4 (Agree), if you do not have any idea or information on the point choose 3 (Neither Agree nor Disagree), if you moderately disagree with the point choose 2 (Disagree) and if you completely disagree with the point choose 1 (Strongly Disagree).

5 = “Strongly Agree”

4 = “Agree”

3 = “Neither Agree nor Disagree”

2 = “Disagree”

1 = “Strongly Disagree”

No	Work Engagement	Strongly Disagree	Disagree	Neither agree nor Disagree	Agree	Strongly Agree
1	I know what is expected of me at work					

2	I have the materials and equipment I need to do my work right.					
3	At work, I have the opportunity to do what I do best every day.					
4	In the last seven days, I have received recognition or praise for doing good work.					
5	My supervisor, or someone at work, seems to care about me as a person.					
6	There is someone at work who encourages my development.					
7	At work, my opinions seem to count.					
8	The mission or purpose of my company makes me feel my job is important.					
9	My associates or fellow employees are committed to doing quality work.					
10	I have a best friend at work.					
11	In the last six months, someone at work has talked to me about my progress.					
12	This last year, I have had opportunities at					

	work to learn and grow.					
No	Interesting Work	Strongly Disagree	Disagree	Neither agree or Disagree	Agree	Strongly Agree
1	There is a friendly feeling between management and staff					
2	My working area is safe, clean and physically appealing.					
3	I work with intensity on my job					
Job Appreciation						
4	I am working a reasonable volume of work and compatible with the benefit I get from the bank.					
5	I am proud to tell others I work in Commercial Bank of Ethiopia					
6	I have a relaxed and positive outlook in my work					
7	I enjoy an opportunity to complete a challenging Task					
8	My job is a good fit with my skills and interest					

Job Satisfaction						
9	My supervisor would not ask me to perform tasks against the bank's procedure and policy					
10	I am inspired to give my very best.					
11	When at work, I am completely focused on my job duties and determine to give my best effort each day.					
12	I get a sense of personal accomplishment from my work and enjoy coming to work.					
Employee Stress						
13	My job does not cause unreasonable amount of stress in my life and the amount of job is reasonable.					
14	I am able to balance my family and work life					
15	I have someone to talk to about my private feelings or concern					
Extrinsic Rewards						
Job Security						
16	My job provides me with chances to grow and develop					
17	I sometimes fear losing my job					
18	I have a sense of security in my job					
19	I feel a sense of loyalty to the bank.					
Attractive Salary						

20	I am satisfied with the current salary and all the benefit packages of the bank					
21	The benefits packages offered provide security for me and my family					
22	CBE offers better salary than others within the banking industry					
Growth & Promotion						
23	There is equal opportunity for promotion and growth in the organization and Job promotion is awarded based on merit.					
24	I strongly believe that the bank has merit based promotion scheme					
25	In this organization I have confidence for further career growth and development					
Recognition						
26	I am awarded and received recognition for exceeding my goal.					
27	I feel that my job performance is fairly evaluated and the recognition is often accompanied by tangible rewards					
28	The bank values my contributions to the company success					

Thank you for your support!!!