



## **REWARD SYSTEM AND ITS IMPACT ON EMPLOYEES MOTIVATION IN BANKING SECTOR**

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### **ABSTRACT**

*The main objective of this paper is to present the comprehensive view of existing studies that have been conducted to investigate the relationship between reward system and motivation of employees at work place. It also discusses the methodological aspects of existing studies which guide the researcher for further investigation. The conclusion of this research paper is based on the basis of review of main findings of existing research studies. After having the review of existing studies it can be concluded that the reward systems (tangible and intangible benefits) have a positive impact on the motivation level of employees in banking sector.*

### **Introduction**

The growing market demands has overloaded the employees and stretched their work hour in an irrational way, these results to employee's objection about work, job stress and work life conflict. All these reduce the employee's motivation. Is there any relationship between rewards and employees motivation whether firms are applying a suitable reward policy according to the needs of employees. Which type of reward has more motivational effect on employees, to Keep in mind all these problems, the organization are designing different rewards (monetary & non monetary) plans and policies for motivating their employees. The relationship of intrinsic rewards (job environment, authority, responsibility and recognition) extrinsic rewards wages, salary, promotion and incentives), job satisfaction and perceived training effectiveness on

motivation. Motivation is a psychological feeling which can be understood only by management only because he is in close contact with the employees. Needs, wants and desires are inter-related and they are the driving forces to act. These needs can be understood by the manager and he can frame motivational plans accordingly. We can say that motivation therefore is a continuous process since motivation process is based on needs or wants which are unlimited. Motivation will help to achieve his personal goals. If an individual is motivated, he will have job satisfaction, it helps in self-development of individual. The more motivated the employees are, the more empowered the team then more is the team work and individual employee contribution, more profitable and successful is the business, motivation will lead to an optimistic and challenging attitude at work place. “Motivation could be divided into three parts. The first part consists with the drive or energy behind individual’s action. People turn to be guided by their interest in making a good impression on others, doing interesting work and being successful in what they do. The second part dealing to the preferences people make and the direction of their behavior takes. The last third part deals with maintaining behavior clearly defining how long people have to persist at attempting to meet their goals” **Greenberg and Baron (2000)**. “The psychological process that gives behavior purpose and direction, a predisposition to behave in a purposive manner to achieve specific unmet needs, an unsatisfied need that will to achieve respectively”. **Kreitner (1995), Buford, Bedeian & Linder (1995), Higgins (1994) and Linder (1998)**. Motivation as “a person’s active participation and commitment to achieve the prescribed results” **Halepota (2005)**.

#### **Views on extrinsic and intrinsic rewards that unveil its impact on motivation:**

**Reward** is one of the important element to motivate employees for contributing their best effort to generate creative ideas that lead to better business functionality and further improves company performance both financial and non-financially. There are **two major types of rewards:** Extrinsic and Intrinsic, extrinsic rewards also known as tangible rewards like pay, incentives, bonuses, promotions, job security etc. Intrinsic rewards can also be called intangible rewards or psychological rewards like appreciation, education, working environment title, authority, Attaining new targets, good behavior from boss and moving from one job to another after completing certain targets. Intrinsic rewards are better motivator after increasing salary to certain level. **Frey (1997)** satisfaction on performing well and feeling wealthy is intrinsic rewards which

are necessary for staff motivation. **Ngui Thomas (2014)** reward and compensation strategies were ranked high at influencing banks performance. When these strategies were used, the performance of commercial banks improved by 67%. This improvement was in terms of profits, sales, and market share. **Nadia Sajjad Hafiza, Syed sahaib shah, Humera Jamsheed (2011)** there is a direct relationship between extrinsic and intrinsic rewards and the employee's motivation. Intrinsic rewards found an insignificant impact on employee's motivation. **Serena Aktar, Md. Zia Uddin, Muhammad Kamruzzaman Sachu 2013)** A strong positive linear relationship between rewards and employees' performance and job-satisfaction. **Atif Rafique, Muhammad Sadam and Muhammad Kamran (2014)** the relationship of intrinsic rewards (working environment, authority and recognition) extrinsic rewards (pay, promotion and bonuses), job satisfaction and perceived training effectiveness on motivation and more motivational impact on organizational commitment and knowledge transfer. **Bowen & Radhakrishna (1991)** Organizational survival is only because of motivated employees. To the effectiveness managers must know the motivational factors. Motivating employees is most difficult problem for manager in functions. It is important to identify that which factor is the most important for employee motivation. **Kovach (1987)** only money is not the perfect measuring tool for employee motivation. **Smyth (1968)** Firms have different concepts how to reward their employees. The three most common notions are straight salary, straight commission or a combination of these two with a salary plus commission. Designing an appropriate financial strategy for compensating employees is an important, difficult and highly complex task. The main objective of the reward system is not only to attract and retain the desired quality of employees, but also to motivate them to sustain a high level of performance and enable the firm to meet its marketing objectives. **Burges &Ratto (2003)** 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. **Harrington (2003)** Motivating the workforce of an organization to work more effectively towards the organization's goals is perhaps the most fundamental task of management. A study was conducted and published in September 2004 about the industries, having the most motivated workers. The various Banks and Insurance industries were studied in this connection. The study revealed that people working in the Banking industry are the ones feeling best at work and are never tired of

their job. **Storwall (2004)** employees working in the bank industry, since they are said to be the most motivated, it would be interesting to see what motivates them, to work more effectively. The impact of privatization and increased competition has affected work culture of public sector as well as private sector banks. One of the things needed to create motivation is the proper design of job, and work so that they embody a challenge, give an opportunity to grow, make sense and provide satisfaction. According to **Dewhurst et al. (2010)**, there are other ways to reward employees not just fulcrum on financial reward included praised that employees is acquired from their superior, the challenges to take typical projects, and even leadership traits of employees. Much research on leader power has found that supervisor reward power would be positively associated with employee task performance, productivity, satisfaction, turnover, and organizational citizenship behaviors. **Simon, Martin & Hunt & Jahangi (2006)** Employee will give their best when they have reliability that their efforts will be appraised by the management. There are numerous factors that affect employee performance like working environment and superior and subordinate relationship, training and career development opportunities, employees' security, and company's plans for rewarding employees. Among all these factors which influence employee performance, motivation that comes with rewards is of most importance. Motivation is a composition of different forces which influence and guide our behavior to accomplish some specific goal. **Baron (1983)** Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal. According to **Luthans (2000)**, there are two kinds of rewards financial and non-financial and both can be effectively promote of performance of employees. Financial rewards means remuneration pay for work done such as bonus, promotion, commission, tips, gratuities and gifts etc. Non financial rewards are non monetary benefits like social recognition such as acknowledgement, certificate, and genuine appreciation. The non financial rewards are also known as materials award. **Neckermann and Kosfeld, (2008)** Managers are continuously searching avenues to create a motivational work environment where employees to work at their good satisfaction levels to achieve company objectives. Workplace motivators include both

monetary and non-monetary benefits. Monetary incentives can be different type while having a similar effect on employees for example: mutual funds provided through company pension plans.

**For this paper different studies have been studied which have diverse in various aspects-**

**Malik Muhammad S, Maira Maria, & Muhammad Saqlain R. (2011)** was conducted research on relationship between reward system and employee level motivation. This study explored association between reward and employee motivation and also found out associations among employee motivation and employee demographics variables like (gender, age, education and income level and job experience) in banking sector of Pakistan. The objectives of the study were to know the association among reward system and degree of motivation, personal factors (Gender, age, education, qualification and Income level) and to identify what types of reward system in Pakistani Banks. To determine the impacts of rewards system on Banks employees' biographical variable suggested ways in which reward system in Pakistani banks can be improved upon in order to increase employee motivation. Primary data was used for this work with a sample Size of 226 respondents consisted of male and female of 21 different banks. Two different hypotheses were developed for study, Motivation does not depend on rewards System and motivation depends on rewards system and this hypothesis was tested by applying Chi-square Test and value explored the positive relationship between reward and employee motivation. It revealed that employee motivation depends on rewards which reflected that change in reward offer have same effect of change in employee work motivation.

**Tausif. M. (2012)** was examined in his research study the relationship between intrinsic rewards and job satisfaction among employees of service sector. The study was conducted to determine the perception of the employee respondents towards intrinsic rewards and its impact on job Satisfaction in Public and Private Sector Banks of Pakistan. It highlighted the importance of intrinsic rewards for the employees of public and private sector banks and identifies the specific factors that are crucial for policy implications. The study examined the level of employee's job satisfaction for intrinsic rewards such as task autonomy, task significance, task involvement, opportunities to learn new things and recognition of public and private banking sector employees. A sample of 384 permanent employees of both public and private banks was taken. Independent sample t test, correlation and regression analysis tools were used to analysis the data. The Results of study depicted that employees of private banks satisfied with task autonomy,

task significance, task involvement and recognition but they were not satisfied with opportunities to learn new things. Public banking sector employees were satisfied with task autonomy, task involvement and recognition and they were not satisfied with task significance, opportunities to learn new things. Little differences are observed regarding preferences of intrinsic rewards between the employees of public and private banks.

**Puwanenthiren Pratheepkanth (2011)** was conducted his study on Reward System and Its Impact On Employee Motivation In Commercial Bank Of Sri Lanka. The aims of this study was to demonstrates whether rewards and recognition have any impact on employee motivation., What factors contribute to work motivation when impact of reward on motivation is studied and To explore impact of biographical variables on work motivation. According to researcher the extrinsic rewards involved salary and wages, commission, promotion, status, bonus and intrinsic rewards included opportunities to completion, responsibility, meaning full, work kind condition, The results also revealed that there was a positive association existed between work motivation and reward given to employees but non-white racial backgrounds staff experienced lower levels of rewards as well as motivation level.

**Shagufta Sarwar & James Abugre (2013)** was enlightened on the Influence of Rewards and Job Satisfaction on Employees. The aim of this study was to find out the relationship between employees' rewards, and the dimension of their job satisfaction. The researcher assumed that rewards play a significant role in employee satisfaction, resulting in increased customer satisfaction and loyalty. The implications of job satisfaction on customer satisfaction and loyalty towards organizations were also investigated. A questionnaire was constructed, tested and administered to a total 110 subjects at two private organizations. Out of that 104 usable surveys were analyzed with Microsoft excel to test the hypotheses of the study. The Findings showed that rewards induced positive job satisfaction of employees. Additionally the findings also showed that job satisfaction of employees stimulated their loyalty to the organization. However, a very high level of employee dissatisfaction was recorded for employee pay and the amount work they do. Therefore, the major findings of this work are that there is a significant relationship between higher rewards and higher job satisfaction of employees and second a significant relationship between satisfied employees and increased customer satisfaction and loyalty. Research Findings

also showed that majority of the respondents were not satisfied with their pay as compared with others in similar jobs in other companies.

**Osterloh and Frey (2000)** creative workers have two main reasons for being intrinsically motivated and these reasons must be demonstrated by organizations for better performance. First reason, intrinsic motivation is needed for creating and exchanging the knowledge and ideas. They found that motivated employees are inherently interested towards engagement with their work. Motivated workers will share more information and knowledge with co-workers and by this fact; they develop more knowledge and skills throughout the organization. Second, intrinsic motivation is to enhance the time, which is owed to job-related tasks and to improve the productivity level of individuals in the organization. By giving this knowledge, employees have relative consciousness about the time for these creative activities, their willingness to devote the time for these productive activities are important for the survival of organizations

**Saks (2006)** conducted a study to examine the employee engagement role of employees in eight different European countries. They focused on four economic sectors: retail trade, finance & banking, telecoms, and public hospitals. They studied country wise differences in the matter of employee engagement. The engagement of employees is based on job demands and job resource like job autonomy and social support. Social support includes different types of motivational factors like job enrichments, job empowerment and monetary and non-monetary rewards. They also proposed that engagement of employees towards organization can be achieved by implementing and creating a socially supportive environment. Whereas the job demand negatively relates to the work engagement. They considered the work engagement as the outcome of job demand and job resources.

**J. Prabakaran, S. Ispriya, A. Amsa, T. Angulakshmi (2014)** was stated on workers reward System in Banking Sector seeks to examine the relationship between rewards and employee performance as well as to examine the relationship between extrinsic and intrinsic rewards. The study explored factors determining extrinsic and intrinsic rewards and their impact on employee performance and actions to influence the banks for a consideration of a more systematic and structured approach to acknowledge employees efforts which would in turn prosper high

performance culture in banks. The Objectives of this study were to know the influences of intrinsic and extrinsic both type of rewards on employee's performance, the results revealed that a good reward system aims to motivate employees to improved performance and to match their individual goals with the goal of organization. Performance based reward systems are framed to lead to better rewards and motivation for those who contribute their best. However to frame such type reward systems is complicate task because aim to affect behavior of human being.

### **Findings**

From the findings of existing study depicted that there is a positive relationship between rewards (monetary and non-monetary) and employees' motivation in baking sector. The study enabled management which type of reward has more effect on employee's motivational level. Numerous studies reflected that monetary tangible rewards have more motivational effect on employees but motivational work differences and difference in existing perceived reward system adopted varies from public and private banks. The existing studies highlighted the reward system is beneficial for employees as well as banking organization. Researchers broadened their insights about the relationship between employees reward and work motivation level in banking sector to inform the managers how monetary and non-monetary rewards affect motivation level and other motivational problems so that they can develop effective reward policies to minimize this problem.

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