

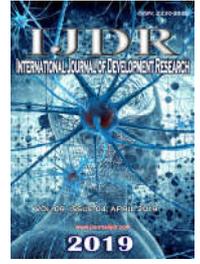


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## ASSESSING THE REWARD PACKAGE ON EMPLOYEE'S PERFORMANCE IN NIGERIAN BANKS

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### ABSTRACT

This research project was aimed to investigate the impact of reward package on employee's performance in Nigerian Banks. In the globalised environment, it is of important to ensure a rewarded/motivated workforce because employees are the only asset that appreciates in value over time, thereby directly contributing to organisational performances. Employee reward package has been a major problem in the banking industries, due mainly to poor salaries and pecuniary benefits such as transport allowances and bonuses. The main objectives of the study were to determine the effects of organizations reward package on workers' productivity and to ascertain the effect of rewards package on employee's performance. The study adopted a cross sectional design, which entailed a structured questionnaire being distributed to respondents. The structured questionnaire comprised Section A and Section B. The sample size was 171, which was derived from a target population of 300 employees through the systematic sampling technique. The researcher used the personal method in distributing and collecting questionnaires to sample respondents and 165 completed questionnaires were returned. This equated to a high response rate of 97%. Furthermore, the data collected was analysed using the Statistical Package for Social Sciences (SPSS) Version 15.00 for Windows. Upon completion, the entire dissertation was checked for plagiarism program. The study found that salaries and bonuses were amongst the top extrinsic rewards at Guaranty trust bank and Union bank. Good financial rewards are vital in influencing the behaviour of employees, as well as in enhancing organisational performances. The researcher recommended that managers of Guaranty trust bank and Union bank should consider reviewing the reward packages, offering competitive financial rewards and timeously rewarding employees.

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### INTRODUCTION

It has been said that the workforce remains the most critical productive asset of any Organization. It is the human element that gives direction and dynamism to the organisation. In fact, any organisation can only grow to the extent made possible by the Voluntary and creative application of the skills and expertise of its workforce. It is for this reason that the search ways and means of motivating the workforce for optimal organisational performance has more or less remained a cardinal concern of management since the birth of industrial civilization. Today, as in the early days of organizational history, managers often ask some fundamental questions: what can we do to motivate our workforce? What is the purpose of

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reward package? No one yet has discovered a single Technique or gimmick that answers this question. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being honed and taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees. Akerele,(1991) blamed the productivity of Nigerian workers on several factors, among them is employer's failure to provide adequate compensation for hard work and the indiscipline of the privileged class that arrogantly displays their wealth, which is very demoralizing to working class and consequently reduced their productivity. Markova and Ford (2011) mentions that the real success of companies originates

from employees willingness to use their creativity, abilities and know-how in favour of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place. The importance of motivated employees cannot be highlighted enough in an organizational context (Lotta, 2012). Motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation (Hunter et al 1990). Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals (Rizwan and Ali, 2010). A valued reward system ensures that employee feels appreciated and valued by the organization he/she is working for. Such gesture not only encouraged hard work but also better and increased productivity, particularly; if the employees are aware that their well-being is being seriously taken by their employers. Further, if the employees realized that their needs are being honed and taken care of by their employers, the organization's goals become their priorities and their interests are submerged in order to achieve the organization's set goals. Organizations are established with the aim of effectively utilizing various available human and non-human resources to achieve certain objective. Among these resources is human, which is commonly seen as the most valuable asset an organization could use to earn competitive advantage and achieve its objective, hence the need for human resources management to ensure optimum productivity and organizational continuous existence.

**Statement of the problem:** Although much has been said and written on this topic, and the fact that the subject has been given increased in most organization especially in Guaranty Trust Bank and United Bank for Africa, one still finds out that productivity in most financial institution is low; it takes extra efforts for the staff to put on optimal performance. In the light of the foregoing, the critical task of this research is to identify effective reward package strategies that could propel and increase employee efficiency in Guaranty Trust Bank and United Bank for Africa. Also right from the beginning management of organizations has always been faced with the problem of how to motivate workers to greater performance with a view to increasing productivity. Even till now, the problem still persists in most organisations. Some of the employee may not be satisfied with the present reward system has been instituted by management hence; management may ignore the real incentive that motivate employee. Money alone is not the only motivating force that induces employee to put their optimum best, there are other forms of this reward: praises, job advancement, higher responsibility and promotion. The question then is, to what extent has it. Labour turnover is a major problem in most of Nigeria Banks. Some banks record as much as 20% to 30% within a year. , it is an attempt by this study to look at the impact of reward package on employee performance in Nigerian banks.

**Objectives of the Study:** The purpose of the study is to examine the impact of reward package on employee's performance in Nigerian banks. However, the objectives aimed are as follows:

- To determine the effects of organizations reward package on workers' productivity.
- To ascertain the effect of rewards package on employee's performance.

**Research Hypotheses:** The following hypotheses was formulated in the alternate form and tested with the aid of proper statistical tools and well-structured questionnaires that were effectively administered so as to achieve stated research objectives. The hypotheses are as follows:

**H<sub>1</sub>:** Organizations reward package have significant effect on workers' productivity

**H<sub>2</sub>:** Rewards package have significant effect on employee's performance

## MATERIALS AND METHODS

The study was carried out by primarily through the survey method and interview of employees in to Guaranty Trust Bank and Union bank of Nigeria, Abuja. Secondary data were obtained through books, journals, and internet. Empirical works of other scholars were consulted. A simple size of 171 was obtained from the population of 300 at 5% error tolerance and 95% degree of freedom using Yamane's statistical formula  $171(100\%)$  of the questionnaires distributed 165(97%) were returned and 6(3%) were not returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to ensure the validity of the instrument. Pearson moment product co-efficients and regression analysis were used to test the hypotheses.

### Literature Review

**The Impact of Rewards on Employee Motivation:** According to the United Nations Development Programme (2014), extrinsic rewards play a key role in motivating employees in developing countries where rewards are poor and below the Poverty Datum Line. Moreover, Haruvamwe and Kanengoni (2013) note that an analysis of thirty-nine studies conducted over four decades by various researchers in different countries concluded that financial rewards motivate employees. However, there are evidence of the impact of tangible rewards on motivation is mixed and inconclusive. The presence of extrinsic rewards may not be a good motivator but their absence has a negative impact on motivation. The absence of rewards creates an unpleasant environment that leads to low employee morale because extrinsic rewards assist in meeting basic needs. Financial rewards are important because of their instrumental value, which involves using money as a medium of exchange. Moreover, financial rewards have the potential of motivation because of its symbolic value. The symbolic value of money entails how money is viewed or perceived by the recipient and society (Armstrong, 2005). Employees view money as a symbol of self-worth, status and achievement. Monetary payments are a source of power and enable an individual to access resources. Money is vital and is a prerequisite in the employment relationship because of its instrumental and symbolic value. Rehman and Ali (2013) contend that extrinsic rewards such as salary and wages motivate poorly performing employees and also motivate employees to come to work each and every day. According to Hong and Waheed (2011), satisfaction with direct and indirect monetary rewards inspires employees to exert more effort and achieve more.

## Types of Incentives

**Payment by Result:** Payment by result is historically the most widely used incentive scheme, it reward employees according to the number of items or units they produce or the time they take to produce them. This scheme has been criticized due to its tendency to reward quantity of output rather than quality which can lead to reduced quality of the product or service. There is a great need to modify and evaluate the effectiveness of this scheme if it is to retain the impact of productivity (Dessler, 2003).

**Skills-based:** Skills-based pay is an input-based payment system in which employees receive pay for the skills or competencies which they acquire. This system gives the employees an opportunity to influence their pay by acquiring more skills that lead to pay increases. Skills-based pay encourages multitasking and flexibility, which in turn enables the organization to respond faster and more effectively to the needs of customers (Torrington et al, 2009).

**Profit sharing:** Profit sharing is an incentive based compensation program where employees are rewarded with company shares or a percentage of the company's profit. This scheme is claimed to increase employee's commitment to his or her company by linking pay to profit, and hence deepening the level of mutual interest. Profit sharing also encourages the thought of everyone being on the same team; the employees have the same goals and are rewarded equivalently. The disadvantage of profit sharing in the employee's point of view is the fact that pay levels may decline if the company do not meet its profit expectations. Another weakness of profit sharing is that the employees cannot see and know the impact of their work performance on the profitability of the company. Due to the fact that the employees receive the profit sharing money regardless of their own performance, the reward might become more of an entitlement than a motivating factor. (Torrington et al, 2009).

**Performance-related pay:** Performance related pay works on the assumption that if an employee is offered monetary bonuses for a job well done, they will perform better. There are two distinct varieties of this scheme. The merit-based system is based on the assessment of an employee's performance against previously set objectives. In the goal-based system the employer and the employee arrange a meeting and agree a list of objectives which are set to be met during the coming months. In order for performance related pay to work it should be based on clear and measurable targets that are agreed by both the employer and employee (Torrington et al, 2009).

**Concept of Motivation:** Motivation as one of the three factors in the function of directing is described as a process that arouses channels, sustains and gives people's behavior purpose and direction. It is concerned with the "why" of human behavior, what it is that makes people do things. Or simply, it is the stimulation of people to action to accomplish desired goals (Nel et al, 2014). Motivation is a complex factor as it concerns in individuals and their needs, and every individual is unique. But there are some things that individuals have in common, for example, physical, social and growth needs, except that the strength of these needs varies from person to person and from time to time within the same person. Different people have defined motivation variously. Virtually all lay

people and scholars have their own definition of motivation. Usually, one or more of the following words are included in the definition: desires, wants, wishes, aim, goals, needs, drives, motives and incentives. Technically, the term motivation can be traced to the Latin word "movere" which means to move. This meaning is evidenced by the following formal definitions is given: a motive is an inner state that energizes, activates or moves, directs or channels behaviour towards goals. Achievement of employee performance and high productivity, the ultimate goal of many organizations depends very much on the performance of their workers. , performance according to being a function of motivation, ability, team work, morale and integrity, therefore the understanding of this ingredients of performance can be combined to bring about high productivity. Motivation is a hypothetical construct that is used to help explain behaviour. It is a basic psychological process in the understanding of human behaviour achievement of a particular goal, which satisfies individual's needs. Hawley, (1980) defined motivation as a psychological concept related to the strength and direction of Human behaviour. It is frequently explained as a driving force within individual by which they attempt to achieve some goals in order to fulfill some expectation. Mitchell, (1995) defines motivation as 'the degree to which an individual wants and choose to engage in certain specified behaviour in the workplace setting.

Motivation is concerned with the manner in which individual choose to exert effort in pursuit of their goals and correspondingly with the manners in which employees attempt to create work environment which stimulate such efforts. Schereranbrm, (1996) stated that the concept of motivation is used in management theory to describe forces within the individual that account for the level, direction and persistence of effort expended at work. Simply put, a highly motivated person work hard at a job; an unmotivated person does not. A manager who leads through motivation does so by creating conditions, under which other people feel inspired to work hard. Cowling, (1998) asserted that organization tries to motivate employees by offering financial rewards in return for skill, time and effort. Financial rewards alone are generally insufficient to create level of motivation. A properly designed plan should be favourable to the organization and to the staff; i.e. in form of higher personal income. Bernard (1983) emphasized the need for management to understand what motivates sales persons and should not act in a negative way contrary to the aims of the organization. There is no one best way of motivating employees. Individuals are never alike in their needs. What motivates an employee depends on the individuals and the circumstances. An employee having sought a particular job position for so long and succeeded was highly motivated, but the enthusiasm was short-lived having overlooked certain constants and limitations within the job. Mustafa (2013) has identified five factors regarded as the major influencing factor on job performance. These he referred to as motivation mix. They are as follows: - Fringe - Salary, commission and bonus - Expenses - Competition within the group award and others. Lawler (2003) in their performance model postulates that there is a link between the efforts a person puts into his work and the satisfaction he gets from what he does. They went further to suggest that the employee puts in efforts to achieve desired standard of performance provided that he receives some reward (pay, promotion, recognition, achievement and status) and the reward satisfies some of his needs and this in turn will lead to renewed efforts.

**The Importance of Employee Motivation:** According to Kreitner and Kinicki (2008), employee motivation entails psychological processes that result in the arousal, direction and persistence of voluntary goal directed actions. Motivation process is goal directed and consists of three aspects, namely direction, intensity and persistence. In addition, employee motivation is characterized by both physical and mental movement. It is vital to note that employees have different needs or deficiencies which include physiological, psychological and sociological needs. The existence of deficiencies in employees creates tension, thereby influencing employee behaviour. Motivational theories are vital in enhancing employee motivation as they assist in selecting appropriate rewards while predicting and influencing behaviour.

**The Performance of the Employees:** In general, the concept of performance means the goals that institutions seek to achieve through their employees. It connects activities and goals via employees' duties inside institutions. In other words, it's the individuals' responsibilities, activities and duties, that their work consists of, which should be done in the right way with taking into consideration the qualified employees' abilities to do them. Employee's performance can be defined as doing different activities and duties that their work consists of (Al-Rabayah 2003). Most individuals spend big parts of their lives searching for job satisfaction due to its positive efforts on their personal and professional lives. It also leads to increase institutions and employees productivity and benefit. Therefore, it's so hard to achieve high levels of the long term productivity unless the job satisfaction is there. However, many studies indicate the strong relationship between motivations given to employees and their satisfaction. As a result, that helps improve their performance which expresses individual's efforts' results that start from their abilities and realizing their duties. In conclusion, the concept of performance indicates the percentage of achieving and completing individuals' duties their jobs consist of.

**Ways of Measuring the Performance of the Employees**

**The Amount of the Effort:** It refers to the amount of the physical or mental energy that the individual spends in a specific period of time in the work, in addition to the speed in performance.

**The Quality of the Effort:** It refers to the level of the quality of the done work and the degree of matching between the done work and some specific standards. Some kinds of work are not measured by the amount or the speed of performance; but rather by the degree of error-free performance and matching between the production and the required standards.

**Manner of Performance:** It is the way in which the work duties are done. For example, performance can be measured through the manner of performance, measuring problem-solving strategies or in problem detecting.

**Rates of Performance:** It refers to the process in which the evaluator increases the employee's productivity in order to determine the efficiency, the quality and the amount of the employee's work in a specific period of time. Then, he compares the employee's done work with the specified rate (Al-Rabayah, 2003).

**Test of Hypotheses**

**Hypothesis one**

**H<sub>1</sub>:** Organizations reward package have significant effect on workers' productivity.

**H<sub>0</sub>:** organizations reward package does not have significant effect on workers' productivity.

**Table 1. Table of correlation between reward package and worker's productivity**

Correlations	Reward Package	worker's productivity
Pearson Correlation reward package	1	.536 **
Sig. (2-tailed)	.200	.000
N	165	165
Pearson Correlation worker's productivity	.536 **	1
Sig. (2-tailed)	.000	.200
N	165	165

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

According to above calculations it is observed that amount of correlation coefficient between worker's productivity and reward package is equal to 53.6 per cent and considering that a significant level is less than 5%. Then we can say that there is a positive relationship between reward package and worker's productivity.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965 <sup>a</sup>	.716	.586	3.79952

Predictors: (Constant), reward package

Regression coefficient of R = .965 or 96.5% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination R<sup>2</sup> = 0.716 which show that 71.6% of variation in workers' productivity is explained by reward package. The adjusted R-square in the table shows that the dependent variable, (level of productivity) is affected by 58.6% by independent variable.

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	12.310	.901		13.656	.002
reward package	1.056	.085	.536	12.426	.000

Dependent Variable: worker's productivity

The coefficient of determination for reward package is positive (1.056) and is highly significant (0.001) in ensuring worker's productivity. The p-value of 0.000 is less than the t-statistic value of 12.426 and the standard error value of 0.085. Therefore, the null hypothesis is rejected and alternative hypothesis accepted that organizations reward package have significant effect on workers' productivity.

**Hypothesis Two**

**H<sub>1</sub>:** rewards package have significant effect on employee's performance

**H<sub>0</sub>:** rewards package does not have significant effect on employee's performance

**Table 2. Table of correlation between reward package and employee's performance**

Correlations		
	reward package	employee's performance
Pearson Correlation	1	.697**
Reward package Sig. (2-tailed)	200	.000
N		165
Pearson Correlation employee's performance	.697**	1
Sig. (2-tailed)	.000	200
N	165	

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

According to above calculations is observed that amount of correlation coefficient between employee's performance and reward package is equal to 69.7 per cent and considering that a significant level is less than 5%. Then can say that there is a positive relationship between reward package and employee's performance.

**Table 3. Regression analysis test of reward packages and employee's performance**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997 <sup>a</sup>	.986	.985	3.22600

a. Predictors: (Constant), reward package

Regression coefficient of  $R = .997$  or 99.7% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination  $R^2 = 0.986$  which show that 98.6% of variation in reward package is explained by employee's performance. The adjusted R-square in the table shows that the dependent variable is affected by 98.5% by independent variable.

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	11.526	.637		18.083	.000
reward packages	3.254	.171	.697	19.038	.000

Dependent Variable: employee's performance

The coefficient of determination for barriers is positive (3.254) and is highly significant (0.000) in ensuring importing and transporting. The p-value of 0.000 is less than the t-statistic value of 19.038 and the standard error value of 0.171. Therefore, the null hypothesis is rejected and alternative hypothesis that rewards package have significant effect on employee's performance.

## Conclusion

Human motivation is of utmost importance to organizations and can only be ignored by managers at their own detriment. Its absence in the industry breeds' negative and undesirable industrial behaviour in the form of Absenteeism, truancy, lateness to work, high rate of turnover, restriction input, confrontation with management with frustration irrationally and aggression. In some cases, it leads to indulgent in fraudulent practices in essence; the workers indulge in negative acts capable of frustrating and preventing the

attainment of organization goals and objectives. Essentially, we can see from this study that Guaranty Trust Bank extrinsic values, such as pay, help a lot to make the staff happy. It would be understood from our summary of findings that most problems of motivation hangs on money and what money and what money can acquire for the average Nigeria worker from wages and salaries, selection for training courses, advancement and upgrading, praises, extension of benefit packages overall reward for handwork and motivation services. Everything has its end-point in monetary value for effect Money therefore, should be seen as a means of motivation for the Nigerian workers.

## Recommendations

Below are some recommendations, which will go a long way in motivating workers and reducing dissatisfaction and increasing productivity in Guaranty Trust Bank, Union bank of Nigeria and the banking industry in general.

- The motivational scheme of Union Bank should be improved. If pay is to motivate or indeed have many positive influences at all, management should make it fair and compensate with the work done with other people doing the same or similar jobs in the same sector. There is a need for better conditions of service and to encourage productivity and job satisfaction of workers.
- Since respondents show higher dissatisfaction to promotion, advancement prospect. Management should make sure that workers are promoted on merit as and when due.
- Staff training and development and regular consultation by management on staff welfare should be pursued vigorously to have a sense of belonging and tends to prepare them for higher responsibilities.
- Good supervision and relationship with the employees should be reviewed, welcomed and encouraged in the bank so as to be able to know Employees' problems and ways to show them. The use of performance appraisal form should be introduced.
- Both banks should adopt management by objectives, identify appropriate motivational needs of the workers not what benefit the employees. This tends to carry every staff along.

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