

The Impact of Rewards on Employee Performance in Commercial Banks of Bangladesh: An Empirical Study

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Abstract: *This study seeks to examine the relationship between rewards and employee performance as well as to identify 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 commercial banks for a consideration of a more systematic and structured approach to acknowledge employee's efforts which would in turn prosper high performance culture in commercial banks of Bangladesh. Descriptive statistics based frequency tables and graphs were used in the study to provide information on demographic variables. The results are investigated in terms of descriptive statistics followed by inferential statistics on the variables. A total of 200 questionnaires were distributed to employees of the commercial bank and a total of 180 employees completed the questionnaire properly. The result indicate that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have a positive influence on employee work performance.*

Keywords: *Rewards, Intrinsic rewards, Extrinsic rewards, Employees' performance.*

I. Introduction

Rewards is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improve company performance both financial and non-financially. According to Dewhurst et al.(2010), there are other means to reward employees that do not just focus on financial compensation. Some of these include the praised that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. Much research on leader power have found that supervisor reward power would be positively associated with employee task performance, productivity, satisfaction, turnover, and organizational citizenship behaviors(Simon,1976; Martin & Hunt, 1980; Jahangir,2006).

Employee will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, training and development opportunities, job security, and company's overall policies and procedures for rewarding employees, etc. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance. Motivation is an accumulation of different processes which influence and direct our behavior to achieve 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/ pay, 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 basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non financial rewards are non monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non financial rewards is also called materials award (Neckermann and Kosfeld, 2008).

Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set the rewards system to evaluate the employee's performance at all levels and them rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically. The system also suggests where training and development is needed by the employee in order to complete the defined goals. This training or development need assessment of employee gives them an intrinsic motivation. Frey (1997) argues that once pay

exceeds a subsistence level, intrinsic factors are stronger motivators, and staff motivation requires intrinsic rewards such as satisfaction at doing a good job and a sense of doing something worthwhile.

There is mixed finding in the literature to determine which type of reward is more effective to increase employees' performance. According to Perry et al (2006) financial rewards is not the most motivating factor and financial results have a de-motivating effect among employee (Srivastava, 2001). Several studies have found that among employee surveyed, money was not the most important motivator, and in some instances managers have found money to have a demotivating or negative effect on employees (University of Texas, undated). On the other hand, Ryan (undated) indicated that non monetary types of rewards can be very meaningful to employees and very motivating for performance improvement. According to him, creative use of personalized non-monetary rewards reinforces positive behaviours and improves employee retention and performance. These types of recognition can be inexpensive to give, but priceless to receive.

II. Scope And Objectives Of The Study

This research is limited to employees of the commercial bank in Bangladesh. This is due to time constraint which the research is unable to be done in other organizations in a larger area. For this study, the researcher only focused on the group respondents from executive level and above. The numbers of respondents that involve within this research are 180 persons. The respondents were identified using Stratified Random Sampling.

The objective of this study is to find out the relationship between rewards and employees performance in commercial bank in Bangladesh. More specific objectives are to find out

1. The effect of intrinsic rewards on employee's performance.
2. The effect of extrinsic rewards on employee's performance.
3. The relationship between extrinsic and intrinsic rewards.

Hypothesis:

The research process is the quantitative study. Quantitative research provides numerical measurement and statistical predictability that can be representative of total population (Barson, 2003). According to Kerlinger (1986), qualitative studies attempt to establish causal association among objectively specified variables through testing hypotheses derived from predictive theories. The following hypotheses are taken for the study:

H₀: There is no direct relationship between intrinsic rewards and employee's performance.

H₁: There is a direct relationship between intrinsic rewards and employee's performance.

H₀: There is no direct relationship between intrinsic rewards and employee's performance.

H₂: There is a direct relationship between intrinsic rewards and employee's performance.

H₀: There is no significant difference between intrinsic reward and extrinsic rewards on employee performance.

H₃: There is a significant difference between intrinsic reward and extrinsic rewards on employee performance.

III. Literature Review

In the globalization age, the workplace realities of previous organizations no longer exist. It is necessary to revise carefully. It is also important for the organizations to meet and introduce new motivational tools of employees since the change has been observed on the workplace realities in today's organizations (Roberts, 2003). Beer et al, (1984) strongly asserts in their research of changing work environment the reality that organizations today have totally changed, therefore it is more important for the top management to carry out new methodologies of developing strong and durable relationship between the organization and employees for meeting the organizational goals and fulfilling the continually changing needs of both parties. Most of the organizations have gained the immense progress by fully complying with their business strategy through a well balanced reward and recognition programs for employee. Deeproose (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. The entire success of an organization is based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. According to Babakus et al. (2003), the perceptions that employees have with regards to their reward climate influences their attitude towards their employees. In addition, the commitment of managers towards their organization is also shown by how the manager rewards his/her employees. Goulder (1960) mentions the norm of reciprocity, which focuses on the ability of organization to accommodate the needs of their employees, and reward them for their effort. In exchange for the rewards provided to them, employees should reciprocate by increasing their commitment towards their organization and their work. Many studies in the creativity literature have shown that the firm's reward system plays a critical role in motivating employees to perform creatively (Eisenberger, 1992; Eisenberger, Armeli and Pretz, 1998; Eisenberger and Rhoades, 2001). As an effort to stimulate employees' creativity, many managers have used extrinsic rewards (e.g. monetary incentives and recognition) to motivate their employees (Fairbank and Williams, 2001; Van Dijk and Van den

Ende, 2002). While empirical research has shown that extrinsic rewards help enhance individuals' creative performance. The literature is still divided when it comes to its effects on individuals' creativity (Bear et al., 2003).

The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Delaney and Huselid, 1996). A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002). In other words, the compensation system (e.g. profit sharing) contributes to performance by linking the interest of employees to those of the team and the organization, thereby enhancing effort and performance (Kalleberg and Moody, 1994; Huselid, 1995; Kling, 1995). According to Nelson & Spitzer (2002) although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, there is a change that the essence of the reward would be forgotten. In a study conducted by (Bewen, 2000), the researcher warns that managers should be aware of 'nonrewards'. Such rewards should be utilized sparingly, and should not be used all the time. They are also described to be passive, and they do not necessarily lead to positive behaviors in the long term. According to Shore & Shore (1995), employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for. Thus, there is a need for the employer to really make an effort in showing the employee that his/her wellbeing is of concern to the organization and the management and that the contribution of the employee towards the organization is highly valued. This idea is further reiterated by Buchanan (1974) who adds that the recognition of contributions towards the organization has a positive relationship towards increasing the commitment of the employee towards the organization and its objectives.

According to Goodwin & Gremler (1996), the banking industry is in need of employees that are both satisfied and motivated, for without them, customer satisfaction level would also be affected. This idea is also supported by Adelman et al. (1994) who maintains that interpersonal relationships established between bank personnel and the customers are a big driving force behind ensuring that a customer is satisfied or dissatisfied. Reynolds & Beatty (1999) add that the relationship established between the employees and the customers may lead to an increase in values perception with regards to the bank's products and services. When a high perception of value is achieved, then it is also highly likely that the customer will be satisfied, thereby bringing in more business for the bank.

IV. Theoretical Framework

Reward Systems:

This study involves intrinsic and extrinsic rewards as independent variables. In independent variable extrinsic reward includes three dimensions such as basic pay, merit pay and performance bonus. As for the intrinsic reward, it includes four dimensions such as recognition, learning opportunity, challenging work and career advancement.

Employees' Performance:

This study involves employees' performance as dependent variable. In dependent variable employee performance encompasses three dimensions such as productivity, job quality and job accomplishment. Relationship of the variable for this study is referred to the following figure:

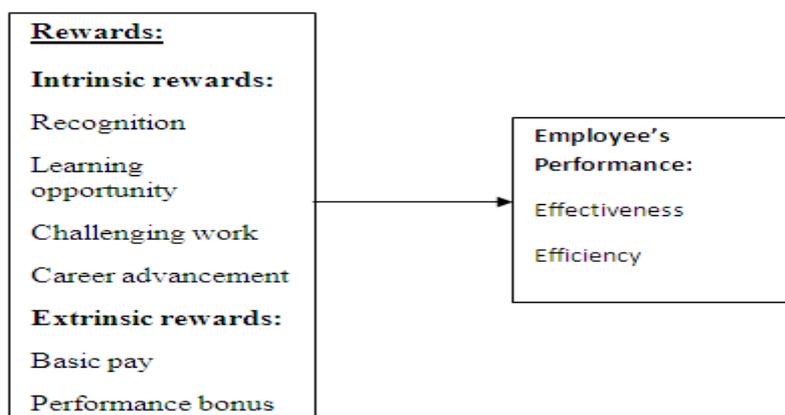


Figure: Research framework on the relationship of intrinsic and extrinsic reward toward employee's performance.

V. Methodology

This study is an empirical study, based on the primary data. Considering the nature of the present study, a combination of structured questionnaire was used in order to collect relevant information from a sample of 180 commercial bank employees. A total of 180 employees were randomly selected from a listed 12 commercial banks in Bangladesh where 2 government commercial banks, 10 non- government commercial banks (4 Islami commercial banks and 6 non Islami commercial banks) namely Janata Bank Limited, Agrani Bank Limited, Mercantile Bank Limited, Prime Bank Limited, Brack Bank Limited, Basic Bank Limited, United Commercial Banl Limited, Datch Bangla Bank limited, Islami Bank Bangladesh Limited, Shahajalal Islami Bank Bangladesh Limited, Al-Arafa Islami Bank Bangladesh Limited, First Security Islami Bank Limited .The survey had been done from executive level and above. The number of questionnaire distributed to the respondents is 200. The number of return is 189 and the number of questionnaire that is useable was 180.Both primary and secondary data are used for the study. Primary data collected through the questionnaire with case study method, which was designed on the basis of objectives and hypotheses. It is the most inexpensive way to gather data from respondents. The questionnaire consists of four sections namely demographics profile, intrinsic reward, extrinsic reward and employee's performance. Likert 5(five) Scale point is used for these purposes. Descriptive and Pearson correlation analysis will be used for data analysis. A well known statistical package SPSS (Statistical Package for Social Sciences) version16.0 was used in order to analyze the data.

VI. Major Findings And Discussion

Biographical information of the respondents (N=180)

Table 6.1: Frequency distributions of respondents with respect to their age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-25	7	3.9	3.9	3.9
	26-30	44	24.4	24.4	28.3
	31-35	60	33.3	33.3	61.7
	36-40	45	25.0	25.0	86.7
	41-45	7	3.9	3.9	90.6
	46-50	13	7.2	7.2	97.8
	51-55	4	2.2	2.2	100.0
	Total	180	100.0	100.0	

Table 6.1 indicates the age allocation of the sample of respondents from the commercial banks at which the research was conducted. As can be seen from the figure and table, the majority of the sample's age (n=60) was 31-35.

Table 6.2: Frequency distributions of respondents with respect to their Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	140	77.8	77.8	77.8
	female	40	22.2	22.2	100.0
	Total	180	100.0	100.0	

Table 6.2 indicates the age allocation of the sample of respondents from the commercial banks at which the research was conducted. As can be seen from the figure and table, the majority of the sample (n=60) or 77.8% was male, while the remaining 22.2% (n=40) covered of female respondents.

Table 6.3: Frequency distributions of respondents with respect to their Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSC	2	1.1	1.1	1.1
	HSC	2	1.1	1.1	2.2
	Graduation	24	13.3	13.3	15.6
	Master	143	79.4	79.4	95.0
	Diploma	8	4.4	4.4	99.4
	other	1	.6	.6	100.0
	Total	180	100.0	100.0	

The respondents, qualification level were categorized, their qualification levels were divided into six groups' i.e.1.1% was passed SSC, 1.1% was passed HSC, 13.3% were passed graduation, and 79.4% were passed master. It shows that majority of the employees were post-graduate (n=143).

Table 6.4: Frequency distributions of respondents with respect to their Total year of experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-3	44	24.4	24.4	24.4
4-6	48	26.7	26.7	51.1
7-9	27	15.0	15.0	66.1
10-12	40	22.2	22.2	88.3
13-15	3	1.7	1.7	90.0
16-19	15	8.3	8.3	98.3
20 or above	3	1.7	1.7	100.0
Total	180	100.0	100.0	

Frequency distribution of the respondents' experience level is shown in table 1.4 , it can be seen that most of the respondents' experience level was 4-6 year(26.7%), 1-3 year(24.4%) and 10-12 years followed by 22.2 % .

Descriptive Statistics

Descriptive statistic in the form of arithmetic means and standard deviations for the independent variables and dependent variable for the respondents were computed and presented in Table

Table 6.5: Descriptive statistics: Overall mean for rewards and employee work performance

Variables	Mean	Standard Deviation
Employee's Performance	2.2320	127.83857
Basic Pay	5.1840	229.76140
Performance bonus	7.1240	330.77984
Career Advancement	7.4580	393.25208
Recognition	3.0300	143.65584
Learning opportunity	6.0700	331.09817
Challenging Work	4.1740	193.30753

Dependent variable: Employee's Performance

Table 6.5 shows that the means for the means for the basic pay, performance bonus career advancement, recognition, learning opportunity and challenging work ranged from a low 3.03 to a high of 7.46. Results of the descriptive statistics in terms of arithmetic mean and standard deviation show that reward of the employee in the sample are relatively good. The mean values for the entire variable are relatively high. Above mean values of independent variable and dependent variables show that employees' performance depend on the recognition, challenging work and basic pay compared to other variables. Mean value for employee performance is 2.23 which shows that employees of the commercial bank of Dhaka in Bangladesh are overall performer.

Model Summary

Table 6.6: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					F Change	Sig. F Change
1	.702 ^a	.492	-.015	128.80188	.970	.254
2	.994 ^b	.987	.983	72.02799	236.116	.000

^a Predictors: (Constant), Intrinsic rewards, Extrinsic rewards

^b Predictors: (constant), Intrinsic Rewards.

From above calculation it shows that there was a significant correlation between dependent variable and independent variables which mean employees' performance 70.2% depend on intrinsic and extrinsic reward. Here Extrinsic the above table also shows that there was a strongly significant correlation between extrinsic and intrinsic rewards. R Square were .492 and .987 which told us that about 49% and 98.7% relation between dependent variable and independent variables is explained by independent variables include in this model.

Table 6.7: ANOVA Test

Model	Sum of Squares	Mean Square	F	Sig.
Regression	32190.951	16095.476	.970	.254 ^a
Residual	33179.849	16589.924		
Total	65370.800			
Regression	1224976.706	1224976.706	236.116	.000 ^a
Residual	15564.094	5188.031		
Total	1240540.800			

From ANOVA test it shows that the table Sig. value 0.05 is greater than the calculated Sig. Value 0.000. So, it rejected the null hypothesis at 5% level of significance and also 1% level of significance. It means, there was a significant correlation between dependent variable and independent variables. Therefore, employees' performance depends on rewards as well as intrinsic rewards strongly depend on extrinsic rewards in different commercial banks in Bangladesh.

Table 6.8: Dimension Correlations rewards and employees' performance

	Employees' performance	Extrinsic rewards	Intrinsic rewards
Employees' performance	1	.549(.169)	.496(.197)
Extrinsic rewards	.549(.169)	1	.994 ^{**} (.000)
Intrinsic rewards	.496(.197)	.994 ^{**} (.000)	1

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

Table shows all the correlations between the variables examined in the study. The correlation coefficient was shown a strong relationship, $r = 0.549$ between extrinsic rewards and employees' performance. The correlation coefficient was shown a strong relationship, $r = 0.496$ between intrinsic rewards and employees' performance. Meanwhile intrinsic rewards also showed a strong relationship $r = 0.994$ toward extrinsic rewards with the significant level less than 0.01.

Table 6.9: T-test Employees' performance over intrinsic and extrinsic rewards

Model	Standardized Coefficients	t	Sig.
	Beta		
Basic Pay	.642	1.452	.121
Performance bonus	.478	.941	.208
Career Advancement	.491	.977	.200
Recognition	.374	.698	.267
Learning opportunity	.427	.819	.236
Challenging Work	.671	1.566	.107

Dependent Variable: Employees' performance.

The t-test shows that there are significant relation between extrinsic and intrinsic rewards and employee performance. The results of hypotheses testing are summarized in table which is given below:

Table 6.10: Summary of Hypothesis Results

Hypothesis		Result
H₁:	There is a direct relationship between intrinsic rewards and employee's performance.	Supported
H₂:	There is a direct relationship between intrinsic rewards and employee's performance.	Supported
H₃:	There is a significant difference between intrinsic reward and extrinsic rewards on employee performance.	Strongly Supported

VII. Limitations Of The Study

Like all research studies, this study is not without some prominent limitations. First, in the present study only limitation is the geographic sample limited to Dhaka areas. Understanding the empirical versatility of the phenomenon requires further investigation by covering outside the city of the Dhaka where life living costs are lower than life living costs of Dhaka.

VIII. Summary And Conclusion

Now a day human resource is considered to be the most important resource of an organization to remain competitive in the business world. Acquiring the right workforce and then retaining that force is one of the challenges to the organization. The result from this study examined and determined the relationship between rewards and employees' performance and also determined the relationship between intrinsic and extrinsic rewards. Based on a result from Pearson Correlation Analysis, it showed that there was a positive relationship between rewards and employees' performance and also showed a highly positive significance in the relationship between intrinsic and extrinsic rewards.

The results of correlation matrix have supported the hypothesis that there exist a positive relationship among extrinsic rewards, intrinsic rewards and employees' performance. The correlation matrix also strongly supported the hypothesis between extrinsic rewards and intrinsic rewards. There are two factors included in the extrinsic rewards such as basic pay and performance bonus. Basic pay is a highly significant factor which affects employee performance than performance bonus. Both are positive significant factors which affect employees' performance. There are four factors included in the intrinsic rewards such as recognition, learning opportunity, challenging work, career advancement. Among all of the four factors challenging work is a highly significant factor which affects employees' performance.

Based on result of the study, it is showed that only extrinsic or intrinsic rewards are not sufficient to motivate employee to perform work highly. If commercial bank of Bangladesh keep both types of rewards for the employees than it will increase their employees' performance. Because there strong correlation between intrinsic and extrinsic rewards.

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