

**THE IMPACT OF REWARD SYSTEM ON EMPLOYEE PERFORMANCE: A  
CASE STUDY OF BANK OF TANZANIA**

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**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled **The Impact of Reward System on Employee Performance: A Case Study of Bank of Tanzania**, in partial fulfilment of the requirements for the degree of Master of Human Resources Management.

.....

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(Supervisor)

.....

Date

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**DECLARATION**

I, **George Kalangulla**, do hereby declare that this dissertation is my own original work and that it has not been submitted for a similar degree in any other University.

.....

Signature

.....

Date

**DEDICATION**

This work is dedicated to my spouse namely Adelina Mwashambwa, God bless you for love, care, tolerance, moral and material support during my MHRM studies. I am also gratefully to my parents, Mr. Issack Kalangulla and Mrs. Leonia Kipanta Kalangulla for their love, support and prayers.

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## ABSTRACT

The study was “*the impact of reward system on employee performance: case study of bank of Tanzania*” it aimed at analysing the effects of financial and nonfinancial rewards on employees’ job performance at BOT. The study employs both qualitative and quantitative research paradigms and philosophy. This research method is “the procedures for coming to terms with the meaning not the regularity of an occurrence by studying it in its social context.” a quantitative approach is likewise used because it is essential to have the absolute values of certain key issues during the research. Quantitative research method is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity (William, 2010). Therefore study employed both quantitative and qualitative approaches. Meanwhile after data collection and discussions findings of this research which includes the descriptive statistics, characteristics of work motivation, attributes of employees’ rewards, attributes of employees’ performance and effects of the independent variables on the dependent variable, this among other issues. Analysis of the study above study, it is obvious therefore those financial rewards positively affect employees’ job performance. Similarly nonfinancial rewards have the same impact on employees’ job performance at BOT. Thus, it is crucial that managers of the bank pay attention on the way they reward their employees in order to boost job performance, but it is often time that nonfinancial rewards are ignored by managers in many organization, this study provides suggestion that they are vital in improving job performance. After a conclusion, then the research recommended that, employees’ job performance in the central Bank of Tanzania and any other business Organizations are influenced by rewards systems in place.

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**LIST OF ABBREVIATIONS AND ACRONYMS**

|       |  |
|-------|--|
| ARS   | Arusha                                   |
| BOT   | Bank of Tanzania                         |
| BSC   | Balance Scorecard                        |
| CVI   | Content Validity Index                   |
| DR.   | Doctor                                   |
| GPA   | Group Personal Accident                  |
| HQ    | Head Quarter                             |
| LAC   | Life Assurance Cover                     |
| MHRM  | Master of Human Resources Management     |
| MR    | Mister                                   |
| MRS   | Missus                                   |
| OPRAS | Open Performance Appraisal System        |
| SPSS  | Statistical Software for Social Sciences |
| TQPM  | Total Quality Performance Management     |

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background to the Study**

This section introduces the background of the study with respect to various factors that examine the relationship between remuneration and employee performance in the BOT. It will also address the problem statement part, objectives of the study as well as importance of the suggested study. Compensation is a reward for employment in the form of pay, salary, or wage, comprising with allowances, benefits (such as company car, medical plan, pension plan), bonuses, cash incentives, and monetary value of the noncash incentives. It consists of the financial remuneration represented by earnings plus the value of the benefits received by employees (Armstrong, 2002).

Remuneration is traditionally seen as the total income of an individual and may comprise a range of separate payments calculated according to various rules. For instance, the entire remuneration of medical staff in the BOT Employees may include a capitation fee and a fee for services, or it may comprise a salary and shared financial risk. A remuneration strategy, therefore, is the particular arrangement or bundling of payments that go to make up an individual's total income. The term "Remuneration" refers to wages, salaries, overtime payments, bonuses, commissions and other financial rewards paid to employees in return for the work they perform for their employers. It is also referred to us as pay. Employee performances refers to the intensity at which workforce is applied on utilizing and organizing resources such as machines, materials and money as engaged in production procedure in order to get output. Employee performance is not a detached issue from remuneration; in fact job

performance depends very much on remuneration. In the contract of service which involves agreement between an employer and employee, where an employer give an offer to the employee where an employee offer manpower in order to get remuneration in form of salary or wages as a reward. Therefore if a worker is not provided with remuneration then, job performance will enormously decline. This is for the reason that all incentives cannot work if remuneration is not applicable (By Abraham Maslow's) needs of hierarch in motivation factors. Remuneration is very crucial to the BOT employees and any other business organization used as competitive tool, employee retention, motivate employee, employee's commitment, develop a positive employment relationship and psychological contract align reward practices with both business goals and employee values.

### **1.2 Statement of the Problem**

For the central Bank of Tanzania to maximize employee's performance there is a call for the employees to be adequately motivated through various factors such as financial and non-financial. Therefore, motivation in theory and practice becomes a tricky subject touching on several disciplines. Although a lot of scholarly research has been written on motivation, this subject is not obviously understood and more often than not poorly practiced. On this score, to best comprehend how motivation can impact on employee's performance in the central Bank of Tanzania, one must appreciate human nature. In as much as motivation impacts on employee performance, there is need to mix together the suitable motivational tools with effectual management and leadership to realize this goal. It is evident from the BOT annual report that employees enjoys the following motivational packages: resolving complaints through meetings and discussions, improvement in working conditions

and living standards of employees and such facilities include: medical services, transport to and from work, house allowance, loans and health assistance, employee training and development, leave travel assistance, long service awards for employees of BOT who have been in employment for continuous period of twenty five and thirty five years (As per BOT staff By laws and Financial Regulations of 2015). With this regard improvement of individual performance, more resources were directed to learning initiatives that support effective implementation of annual work plans of functional units and approved projects in line with the Bank's Core Competency Framework. Out of the goal to train 1,316 staff by end June, 2014, a total of 450 employees were trained in the variety of short courses, group courses, seminars, workshops and conferences.

In its labors to improve employees' satisfaction and improve employees' performance, the bank improved the medical insurance contract with the service provider and launched annual medical check-up facility to employees. The bank also developed employees' welfare and benefits by introducing a Life Assurance Cover (LAC) in place of Group Personal Accident (GPA) insurance cover. The bank of Tanzania is an equal opportunity employer with a total of 1,320 staff as at 30 June 2014 (2013: 1,335) out of which 59.2 per cent (2013: 58.8 per cent) are male and 40.8 per cent (2013: 41.2 per cent) are female (Bank of Tanzania [BOT], 2014). Despite such efforts, this arouses more critical academic thinking within the subject area. In this light a lot of academic literatures from scholars and practicing managers have attempted to resolve this intriguing academic domain on how motivation can enhance performance. The diversity of today's work force presents managers with problems of substantial magnitude. Huge differences among employees in every organization and

work group means that there is no one best way to deal with them. An approach that motivates some employee to perform well misses the mark with other employees. This consequently, possesses a major challenge to today's managers. As such it triggers the problem question "*why is or not reward in terms of financial and nonfinancial rewards sufficient motivators for employees' performance in an organization?*"

### **1.3 Objectives**

#### **1.3.1 General Objective**

To assess the role of rewards on influencing employees' work performance at the Bank of Tanzania

#### **1.3.2 Specific Objectives**

The specific objectives of the study are to:

- i) To assess the attributes of employees' reward system in the Bank of Tanzania
- ii) To assess the attributes of employees' work performance in the Bank of Tanzania
- iii) To assess the contribution of financial rewards on employees work performance in the Bank of Tanzania
- iv) To assess the contribution of nonfinancial rewards on employees work performance in the Bank of Tanzania



## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Definition of Concepts**

##### **2.1.1 Employee Reward System**

An employee reward system embraces an organization's incorporated policies, processes and practices for rewarding its employees in accordance with their contribution, skills and competence, and their market value. It emerges within the framework of the organization's reward philosophy, strategies and policies. The reward systems of employees has arrangements in the variety of processes, practices, structures and procedures which will grant and sustain fitting varieties and levels of pay, benefits and other forms of reward. The reward system consists of financial rewards (fixed and variable pay) and employee benefits, which together comprise total compensation. The system also incorporates non-financial rewards (recognition, praise, achievement, responsibility and personal growth) and in a lot of cases, performance management processes (Armstrong, 2002; William, 2010).

##### **2.1.2 Employee Performance**

Performance of employees has been accepted as a multidimensional construct in view of the fact that it quantifies a variety of different aspects of employees' performance. In the organizational context performance is usually defined as the degree to which an organizational member contributes to achieving the goals of the organization. Employee performance plays an imperative role for organizational performance. Employee performance is at first what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output.

Employee performance may possibly be defined as the evidence of outcomes achieved, for each job task, throughout a precise period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time (Ying, 2004).

### **2.1.3 Employee Performance Measurement**

The concepts of performance are studied through evaluation of overall performance. Furthermore the axiom 'If you can't measure it, you can't manage it,' supports the rationale for organization having a completed and wide-ranging performance measurement system such as the Balanced Scorecard (BSC) or total quality performance management (TQPM) or the open performance appraisal system (OPRAS). This approach connects measures throughout an organization to translate high level objectives into lower level activities.

Performance criteria have to be unambiguous, obviously explained, pertinent to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the evaluation process. The assessment of individual employee performance as well needs to focus on evaluating employee behavior and work performance and not the personality of the employee (Ying, 2004).

## **2.2 Theoretical Literature Review**

### **2.2.1 Reward System**

An organization's reward system is the way by which it encourages employees, such as achievement, recognition, autonomy and other intrinsic aspects and discourages for instance low pay, poor work environment and poor company policies which may motivate employees and vice versa. The most important machinery of the reward system includes salaries, bonuses and privileges. The reward system as a means to support innovation by employees is a fairly mechanical but nevertheless effective management technique (William, 2010).

Once the members of an organization understand that they will be rewarded for such activities, they are more likely to work creatively. The initiative to provide financial and non-financial rewards to people and groups who develop innovative ideas is important for organizations (Griffin, 2006). Reward systems are necessary because they give preference to service over self-interest (William, 2010).

Reward system is very important in any organization as the process that is in command of human behavior within an organization. It helps to verify not only performance in relation to current goals but also influences the possibility of people joining and remaining in an organization. It also shapes the degree to which effort is directed in the development of the organization future capabilities. If correctly designed or administered reward systems can lead to attractive behavior for a firm. On the other hand, if incorrectly designed or administered, reward systems can lead to the steady deterioration of an organization and why not its immediate demise (Flamholtz, 1996; William, 2010). The managers must guarantee that its reward structure is equivalent

to the market rate. An effective reward system shall enable competitiveness with those of the other firms seeking a particular kind of competency and talent which is more striking to prospective candidates (William, 2010). Managers can design reward systems to diminish absenteeism by linking bonuses to levels of attendance. This strategy is particularly positive in compensation for low job content and poor working conditions that cannot be improved. Furthermore, some of the jobs in facility management companies may be simple and routine and therefore may lack motivational properties. The facility manager may attempt to decrease such absenteeism by linking certain rewards to attendance. For example, the manager may set a policy of giving a monetary bonus or extra days of paid leave for an ideal or near-perfect attendance (William, 2010). The linkage between performance and reward (that is intrinsic and extrinsic rewards) is a strong factor influencing subsequent performance (William, 2010).

### **2.2.2 Financial Rewards**

Refers to those rewards in terms of money, such types of financial payments paid to the BOT employees. Some directly provide the employee with cash. Bonuses based on performance against budget, quality or other standards may be used as immediate financial incentives. Management rewards by bonuses have become popular in some companies as a means of providing employees with an immediate buster for completion of a project or activity (William, 2010). Most companies make use of financial compensation plan to motivate their employees. High level executives of most companies have separate compensation programs and plans. These programs anticipated to reward these executives for their performance and for the performance of the company. The senior executives collect their compensation in two forms. One

is a base salary as the case maybe with the staff member or professional member of the company. The base salary is a definite amount that the employees will be paid. Above the base salary, most executives also receive one or more forms of incentive pay. The conventional manner of incentive pay for executives is in the form of bonuses. The bonuses in turn are generally determined by the performance of the company (William, 2010).

### **2.2.3 Nonfinancial Rewards**

Refer as those rewards, which are not in form of money: for instance medical care, transport, house and other incentives which are not in form of cash. Organizations with positive ambitions could make available a framework within which high levels of motivation could be accomplished through non financial reward systems by the provision of opportunities for learning and development (William, 2010). It is an approach of expressing gratitude for the special or extra effort done by an employee within an organization. Recognition has two essential goals: to encourage the employees or team to repeat or continue the behavior and to encourage others employees to do the same (William, 2010).

Most team recognition plans fall into celebrating organizational objectives habitually as an event, designed to acknowledge the successful completion of important company goals. This is to create a greater awareness or to remind people of the importance of the goals achieved within the company (William, 2010). Recognition, either informal (oral) or formal (written remarks and events), has been the most cost effective way to strengthen required actions for performance within an organization. However, when recognition is acting in isolation of compensation and equity rewards,

it's frequently loses much of its appeal (Wilson, 2003; William, 2010). Feedback in particular constructive criticisms is necessary for the expansion and development of the employee. Negative reinforcement such as indicating mistakes and threatening employees with job loss, causes employees to adjust their behavior just enough to avoid punishment. It may get to produce a positive result at the job but it won't generate enthusiasm. Negative reinforcement produces responses like "That's not my job" or "I don't know." On the other hand, periodic positive performance reviews generate extra or discretionary effort on the part of the employees. Positive feedback motivates the employees to function as a team (William, 2010). According to Herzberg, managers do not motivate employees by awarding employees higher wages, more benefits or status symbols. Rather, employees are motivated by their own inherent need to accomplish something at a challenging task (William, 2010).

#### **2.2.4 Employees' Performance**

Comparing performance measurement system to an instrument panel on a dashboard provides significant insights about the mix of financial and nonfinancial measures needed in a management control system. A single measure cannot control a complex system (William, 2010). Performance measurement could be defined as "the regular measurement of the results (outcomes) and efficiency of services or programs." This entails the regular measurement of progress towards precise outcome (it is a fundamental component of any effort at managing for results), a customer oriented procedure that focuses on maximizing benefits and minimizing negative cost for customers of service and programs. When performance is not measured or is measured inaccurately, those using the information will be misled and bad judgments will be likely followed.

Conventional measures of organizational performance were financial and accounting based. Currently it has evolved into sophisticated systems which have several functions. Firstly, the financial measures as tools were used to control the financial resources of companies in order to support organizational objectives. Secondly, financial performance measures acted as barometers to indicate achievements against major organizational objectives. Thirdly, they also serve as motivators for future achievements. Furthermore, by providing a window of the past they were thought to be the influencing factors for future successes. Notwithstanding the merits of the financial and accounting measures in assessing performance, the fact that they were cost based and back ward looking provided little motivation.

### **2.2.5 Theories of Employees' Motivation**

The reward system takes into account both monetary and non-monetary rewards. Rewards are part of the employees' motivational framework; as such we can not talk of reward systems without discussing motivation theories. For the purpose of this research I considered the following theories to be vital in this study: the Maslow's *hierarchy of needs*, Herzberg's *Motivation-hygiene theory*, Vroom's *Expectancy theory* and Adam's *Equity theory*.

### **2.2.6 Herzberg's Two Factor Theory**

Herzberg had the notion that those factors which cause job satisfaction are the opposite to those that causes job dissatisfaction. Herzberg in his studies came up with the conclusion that employees are influenced by two factors that are; the *motivators and hygiene factors*. *Motivators* create job satisfactions which include achievement, recognition, autonomy and other intrinsic aspects when there are fulfilled. On the

other hand he came up the *hygiene factors* which will enhance dissatisfaction when they are not fulfilled. Motivators are those factors which come from within an individual that is *intrinsic*. *Herzberg hygiene factors* create a suitable work environment though not increase in satisfaction. For instance low pay can cause job dissatisfaction which will affect employees' performance. Typical hygiene factors are salary, working condition, status, company policies and administration. (Saiyadain, 2009)

### **2.2.7 Maslow's Hierarchy of Needs**

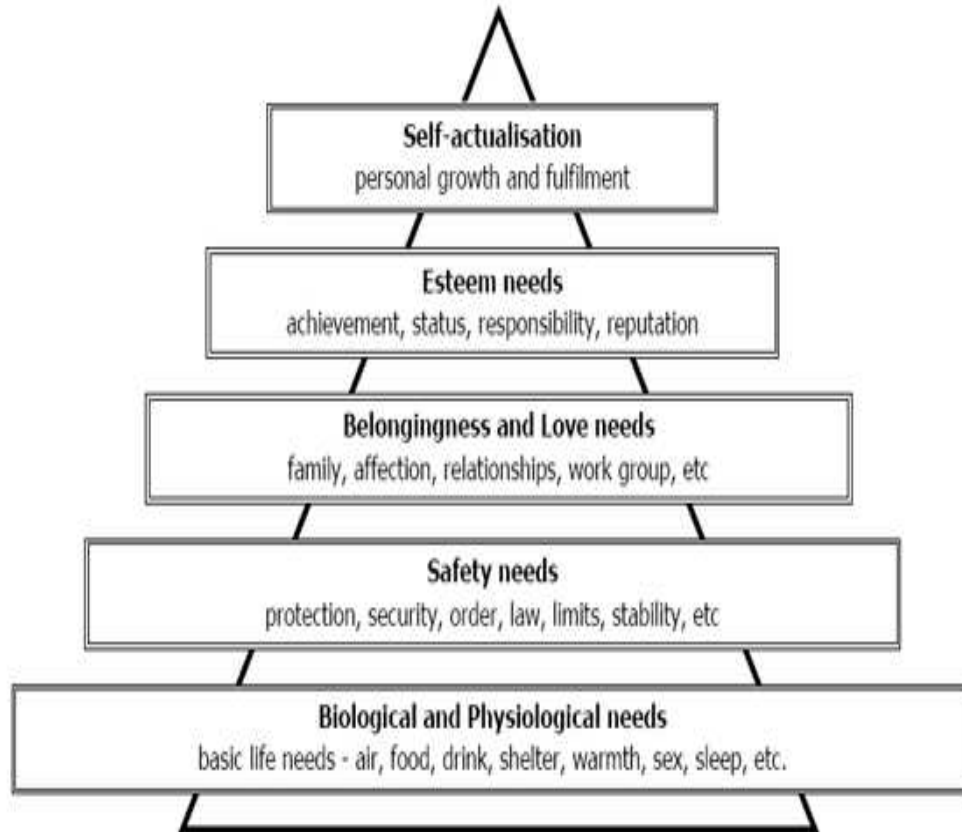
Different scholars have put forth different explanations on how motivation can be achieved within a company or an organization. Maslow in 1943 reasoned that human beings have an internal need pushing them on towards self actualization (fulfillment) and personal superiority. Maslow came up with the view that there are five different levels of needs and once we happen to satisfy a need at one stage or level of the hierarchy it has an influence on our behavior. At such level our behavior tends to diminish, we now put forth a more powerful influence on our behavior for the need at the next level up the hierarchy.

Initially, individuals are motivated by *Psychological needs*: By Maslow this psychological needs forms the basic need for survival and this may include food, warmth, clothing and shelter. The second level is seen as the *security needs*: Security tends to be the most essential need to people at this level. This is expressed in safety in the employee's health and family. *Esteem needs*- These needs relate to desire for self-respect, recognition and respect from others. The highest or last level of Maslow's need is *self-actualization needs*: These are the needs of the highest order



and these needs are found in those people whose previous four needs are satisfied.

This will include need for social service, meditation.



**Figure 2.1 Abraham Maslow's**

### **2.2.8 Expectancy Theory**

The formal framework of expectancy theory was developed by Victor Vroom (1964).

This framework states basically that motivation plus effort leads to performance, which then leads to outcomes. According to this theory, three conditions must be met for individuals to exhibit motivated behavior and these include: effort to performance expectancy must be greater than zero, performance to outcome expectancy must also be greater than zero, and that the sum of the valances for all relevant outcomes must be greater than zero. The Expectancy theory explains that in any given situation, the

greater the number and variety of rewards that are available to the employees, the greater is the probability that extra effort will be exerted in attaining the set goals or targets in the hope of getting the desired rewards (Kirunda, 2004). The concept of the expectancy theory was first developed by Victor Vroom and was published in 1964. Victor Vroom offered an expectancy approach to the understanding of motivation. As a result, motivation is a product of the anticipated value to a person in an action. He perceived probability that the person's goals would be accomplished as a product of the anticipated value in an action. Thus the Vroom's model is built around the concepts of value, expectancy and force. The concept of force is on the whole equivalent to motivation and may be shown to be the algebraic sum of the products of valences and expectations thus,

$$\text{Valence} \times \text{Expectancy} = \text{Motivation (force)}$$

Valence is the strength of an individual's preference for an outcome or goal. The strength may be negative (fear demotion or transfer to less important job) or positive (prospect for promotion). Expectancy is the probability that a particular action will lead to a required outcome. If the employee has a particular goal, some behavior has to be produced to accomplish that goal. The employee has to weigh the likelihood of various behaviors that will accomplish the desired goals and select the most successful behavior. Thus the employee's motivation according to Vroom may be augmented by changing the perception or by boosting the expectancy level through better communication and augmenting the actual reward that will result. Vroom's theory clarifies the relationship between the employee and the organizational goals and recognizes the differences between employees in producing work motivation.

The Equity theory of motivation concerns on the people's perception and feelings on how they are treated as compared with others (Armstrong, 2008; Kirunda, 2004). The argument is that people work well in accordance to what they regard as fair. Employees consider whether management has treated them fairly, when they look at what they receive for the effort they have made (Kirunda, 2004). Therefore employees expect rewards or outcomes to be broadly proportional to their effort. Furthermore, this theory is consistent with the idea that a manager's job is to design an environment for performance, necessarily taking into account the differences in various situations. Thus Vroom's theory is quite consistent with management by objectives. However, this theory is difficult to research and is confronted with practical difficulties in its application (Bose, 2004).

### **2.2.9 Equity Theory**

The Equity Theory states that employees expect fairness when being rewarded for the work done. The theory was developed from the Herzberg's job satisfaction theory and linked to the reward system by Adam Stacy. An important factor in employer's motivation is whether individuals perceive the reward structure as being fair. The Equity theory essentially refers to an employee's subjective judgment about the fairness of the reward she/he got in comparison with the inputs (efforts, time, education, and experience) when compared with others in the organization. William illustrates this as follows; the formula below to illustrate the comparison.

Input (X) = Input (Y)

Reward (X) = Reward (Y)

Employee A compares the ratio of his/her input to his/her reward to that of employee B. If he/she feels the ratios are similar, he/she is bound to be satisfied with the

treatment received. If he/she feels inadequately treated, he or she is bound to be dissatisfied. This dissatisfaction is likely to breed tension and frustration in such employees and their consequent performance may be negatively affected and this may perhaps further lower rewards. Much as Employees must be rewarded, employers' perception towards performance-based rewards can depend on many factors such as politically rewarding someone because of his/her political affiliation, circumstantial instances like one being in the right place at the right time and be rewarded with a high office position, it can be gender sensitivity, it can be ethical, personal, such as one being rewarded because of the relationship he/she has with the head teacher. The factors can even be policy based in that some schools are led and not managed but stagnant because there is a management blockage or poor management. The reasons can vary or be a combination of all the above and many more.

### **2.3 Empirical Literature Review**

The empirical evidence is plenteous as regard to how employees' performance is affected, numerous factors have been identified for instance it is found that, employees' performance is correlated with organizational culture, manager's attitude, job content, financial rewards and personal problems (Saeed, et al., 2013). On similar vein Mustapha (2013) found that, financial rewards were positively related to job satisfaction, and if employees are satisfied we expect them to perform high on their jobs. According to Liu (2010) although the reward strategies are diverse, the data collected was in favour of the treatise that reward strategies adopted by the Chinese top IT companies was the explanation for their success. Ogedegbe, R. J. & Bashiru, B. (2014), in their studied the result indicated that a cautious deliberation of job security, prospect of career progression apart from monetary rewards is crucial for

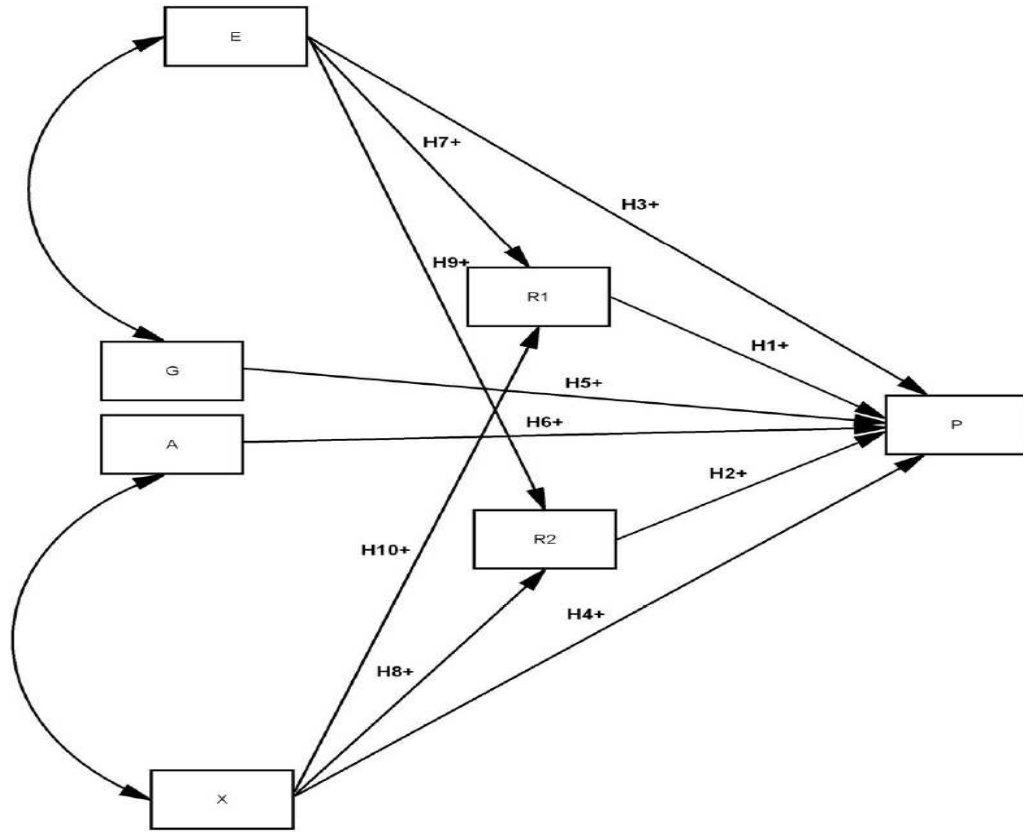
organizational development and change in employee initiative and improve in employee morale. Chepkwony, C. C. (2014) found that, both monetary and non-monetary satisfactions were as central in job satisfaction. Those being the case motivated employees are by default the ones that are going to perform highly on their jobs. On a different level but on similar veins, further proof is provided that there is a strong relationship between executive remuneration and various company performance variables, such as total assets, turnover and share price (Scholtz & Smit, 2010). Other evidences indicated that for instance notably, Stathopoulos, et al. (2005) found that there was a linkage between higher-performing companies and executive remuneration, and that the linkage involving poorer-performing companies and executive remuneration was feeble. Gregg, et al., (2005) also found the linkage involving executive remuneration and company performance to be feeble. The findings are as such mixed.

Furthermore, low ownership firms strongly reward positive returns with higher pay but need no pay penalty for negative returns. In contrast, the higher ownership firms come out to reward performance absolutely symmetrically. All the facts studied indicated that senior managers earn the rewards of success while more junior managers and workers have wages that are a great deal more weakly correlated with company achievement (Bell & Reenen, 2012). It is also shown that the sensitivity of pay to performance for senior managers depended in part on the level of institutional ownership in the company. Those companies that have low institutional ownership do not have an important linkage between pay and performance on average. However they appear to reward positive company performance with wage rises at the same time as not penalising bad performance. In contrast, companies with higher levels of

institutional ownership have a considerable stronger pay-performance linkage that appears absolutely symmetric. These findings complement a variety of evidence that suggests that external shareholder control matters, at least where it is missing or low (Bell & Reenen, 2012). It has also been noted that an outcome-based remuneration scheme augments productivity levels in the place of work, more particularly in the financial sector; it was apparent that productivity can be motivated by way of an outcome-based remuneration system, meaning that an outcome-based remuneration system can add to levels of productivity in the place of work.

There are a variety of advantages and disadvantages of a pay for performance scheme but the advantages unquestionably prevailed over the disadvantages. There is without a doubt a momentous positive change in productivity levels when an outcome-based remuneration scheme is initiated compared to a 100% fixed salary based system. There was also a momentous change in absenteeism; absenteeism dwindled when the outcome-based remuneration scheme was initiated, many can dispute that the grounds for this is that employees felt that they could write their own paycheck enabling them to feel that they are in control of their fate. The other two factors of overtime and shortages and surpluses had no significant change during the period when outcome-based remuneration was initiated versus a 100 percent fixed salary base (Naicker, 2012).

**2.4 Conceptual Model**



**Figure: 2.2 Rewards-Employees Performance Model**

Source: Researcher’s own design (2015)

Where the one-headed and double-headed arrows shows that variables are causal or correlated respectively; The model for the study will is formulated following a logistic regression models as under:

$$R_1 = \alpha + \beta_5 E + \beta_6 X + \varepsilon \dots\dots\dots(1)$$

$$R_2 = \alpha + \beta_5 E + \beta_6 X + \varepsilon \dots\dots\dots(2)$$

$$P = \alpha + \beta_1 R_1 + \beta_2 R_2 + \beta_3 A + \beta_4 G + \beta_5 E + \beta_6 X + \varepsilon \dots\dots\dots(3)$$

Where P= employees performance; R<sub>1</sub>=financial rewards; R<sub>2</sub>=nonfinancial rewards; A=age of employees; G=gender of employees; E=education level of employees;

X=experience years of employees. And the  $\alpha, \beta$  &  $\varepsilon$  are alpha constant, beta coefficient and error term respectively.  $A, G, E$  &  $X$  are used as control variables.

Therefore the research hypotheses are:

- i) There is a positive effects of financial rewards on employees' performance at BOT
- ii) There is a positive effects of nonfinancial rewards on employees' performance at BOT
- iii) There is a positive effects of educational level of employees on employees' performance at BOT
- iv) There is a positive effects of experience of employees on employees' performance at BOT
- v) Employees' gender affect employees' performance differently at BOT
- vi) There is a positive effects of age of employees on employees' performance at BOT
- vii) There is a positive effects of education level of employees on financial rewards at BOT
- viii) There is a positive effects of experience of employees on nonfinancial rewards at BOT
- ix) There is a positive effects of education level of employees on nonfinancial rewards at BOT
- x) There is a positive effects of experience of employees on financial rewards at BOT



## **2.5 Research Synthesis and Gap**

So based on that synthesis above this study will fill the following knowledge gap: as there has been not study to the best of my knowledge that have attempted to address the issues of financial and nonfinancial rewards and how they affects employees job performance at the central bank of Tanzania, namely the Bank of Tanzania. Further, the method that I employ to find and test relationships in this study is also to an extent new to this type of study within Tanzania and tries to assess which theory is supported within the Tanzanian context.

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

Research could be defined as the methodical approach to obtaining and confirming new and trustworthy knowledge. Research is a process that starts with a problem and ends up with the problem either resolved or addressed (William, 2010). The study employs both qualitative and quantitative research paradigms and philosophy. This research method is “the procedures for coming to terms with the meaning not the regularity of an occurrence by studying it in its social context.” a quantitative approach is likewise used because it is essential to have the absolute values of certain key issues during the research. Quantitative research method is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity (William, 2010).

#### **3.1 Study Area**

This study will be done within Tanzania. It covers the central bank of Tanzania, Bank of Tanzania (BOT) and its branches in Tanzania. The bank has a total of 6 branches, which are Arusha branch, Mwanza branch, Mbeya branch, Dodoma branch, Training Institute branch (in Mwanza) , Zanzibar branch and Headquarters (in DSM).

#### **3.2 Research Design**

The type of research strategy is a case study based research with the overall objective of identifying the causes for the identified independent variables which have an ultimate influence on the success of employees’ performance. The case study will be based on the central bank of Tanzania, BOT (Bank of Tanzania).

### 3.3 Sampling Design

The kind of sampling design to be used is probability design using target population (selection of respondents).

#### 3.3.1 Study Population

The study will specifically base on Tanzania; the population will be that of BOT personnel. It comprises of a total from the following categories of employees: 6 BOT branches from Tanzania and BOT Headquarters are **1389** employees.

#### 3.3.2 Sample Size

Stratified random sampling techniques will be used to find a representatives group/sample for the study. This procedure will be used for the reason that, the nature of the population is naturally organised into strata, to reduce variances of sample estimates, to use non-partly random method, and to study the strata independently. It is estimated that the sample size will be 67 employees who will be distributed from the above mentioned population groups proportionally, and as calculated by the formular below and indicated in the table 1: that follows.

#### 3.3.3 Sampling Adequacy/Size

In order to ensure sample representativeness or adequacy, I will use the following fomular as given by Milton (1986) as belows; thus in this study I will employ a total of *at least* **67** employees: n employees as my sample, based on the formular below adapted from (Milton, 1986) as follows:

$$n = k + 1 + \frac{t^2(1-R^2)}{\Delta v_j^2}; \qquad n = 6 + 1 + \frac{2^2(1-0.7)}{0.02} = 67$$

Where;

The total sample is represented by  $n=67$  employees that will ensure at least 70% of the R-squared. A number of independent variables in the model:  $k = 6$

Percentage of variations in the model explained by the independent variables:  $R^2 \geq 0.70$

Minimum addition to r-square, to assure a t-value of 2 or greater ( $p < .05$ ):

$$\Delta r_j^2 = 0.02$$

Minimum t-value of 2 or greater;  $t \geq 2$ .

Strata sample sizes are determined by the following equation:  $n_s = (N_s/N) * n$ ;

Where  $n_s$  is the sample size for stratum  $s$ ,  $N_s$  is the population size for stratum  $s$ ,  $N$  is total population size, and  $n$  is total sample size.

**Table 3.1: Sample Strata Distribution**

| Branches                    | Population from strata | Sample from strata |
|-----------------------------|------------------------|--------------------|
| <b>Total</b>                | <b>1389</b>            | <b>67</b>          |
| Dar es salaam—headquarter   | 913                    | 43                 |
| Mwanza branch               | 100                    | 5                  |
| Arusha branch               | 93                     | 4                  |
| Mbeya branch                | 98                     | 5                  |
| Zanzibar branch             | 95                     | 5                  |
| Dodoma branch               | 56                     | 3                  |
| Training institute (Mwanza) | 34                     | 2                  |

Source: Researcher's own design (2015).

### 3.4 Data Collection Instruments

#### Questionnaire

A structured questionnaire is employed in this research as a tool to acquire information on employee's attitudes for what motivates those most to achieve better performance at work. These questionnaires were made available to the employees and

they had time to answer the questions based on their views at the company. The questionnaire had mutually opened and closed questions.

### **Interviews**

In addition to the questionnaire more qualitative data was collected from a personal interview. The interview was in three main sections, the background, work motivation and re-wards in a semi structured approach. Subsequently categories of questions were developed on specific topics; these semi-structured questions were used as the interview guide. The interviews started by letting managers to give brief background aspects about themselves, company, their duties and how they coordinate their employees.

### **3.5 Variable Measurements**

The dependent variable is employees' performance. It is measured based on 7 items 5 points likert scale. The independent variables are the financial rewards and nonfinancial rewards; they are measured based on a 5 point likert scale. The control variables are other motivational factors, the age, and gender and educational level of respondents.

### **3.6. Validity and Reliability**

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated results (Chronbach 1953; Kirunda 2004). It is the extent to which a text or procedure creates similar results under constant conditions on all occasions. There are several devices for checking reliability in scales and tests, such as test-retest (administering the same test sometime after the first), the alternate forms method (where equivalent versions of the same items are given and result correlated) or the split half method (where the items are split into two matched halves and sores

then correlated) (Onashile, 2012). For instance asking the same thing in two different questions in a questionnaire by reversing or negating one of the two to make sure the respondents are answering the items consistently. This is done in the items for all the variables in the questionnaire. The other method is to create a pilot-questionnaire to test if the respondents will understand the items and will offer reliable answers. This will be done where a small pilot questionnaire will be administered to a group of knowledgeable persons to assess the reliability and provide comments on the ability of the questions to measure what it is intended to measure. Further we shall ascertain our instruments reliability by using Crochban's Alpha. It will be calculated from SPSS and their output reported where an alpha value of 70% or above would indicate suitability of the items to be included in the analysis.

Validity is an altogether more complex concept. It portrays more whether an item measures or describes what it is supposed to measure or describe. Therefore, if an item is unreliable, then it must also lack validity, but a reliable item is not necessarily also valid. It could produce the same or similar responses on all occasions, but not be measuring what it is supposed to measure (Judith, 1999; Onashile, 2012). In order to ascertain the validity of this research study, for data collection, it was made sure that the selected respondents played pivotal role within the sector and have proper knowledge about the topic. The interviewees will be briefed about one or two likely questions to be expected and also tell about the likely time duration of the interview as that will assist the respondents toward preparing their emotions and schedule regarding the interview proper. Further, copies of the questionnaires consisting the objectives of the study was given to two research supervisors at the faculty to find out whether the instruments measured what it was meant to measure and also check on

the phrasing, understandability and wording of the statements. Content validity index (CVI) will be used to establish whether the questionnaire will measure what it is intended to measure. The content validity index (CVI) as in (Onashile, 2012) will be found by considering the number of items declared relevant by Crochban's Alpha divided by total number of items presented. Overall, the questionnaires need to have CVI index of above 0.7 which will guarantee acceptability of validity (Amin, 2005).

### **3.7 Data analysis and Analysis Designs**

Results of the questionnaires on the general background information about the respondents will be analyzed such as, age, full-time/part-time, gender, work experience and position. These was entered into the SPSS and STATA spread sheet software program in which they will be processed to have their respective frequency on what they represent within the study institution. Further correlational and regression analysis will be done to find cause-effects relationships between reward system variables and employees' performance variables.

Having the theoretical work in place and from the understanding of the different motivational theories, two different analytical approaches could be used; the inductive or the deductive approach. The approach used in this research is based on working from the finding that is from responds to find a link with the theoretical work, and finally coming out with a conclusion by reconciling the responds with the theories.

## **CHAPTER FOUR**

### **4.0 DATA ANALYSIS, PRESENTATION AND DISCUSSION**

This chapter deals with the analysis, presentations and discussion of the findings of this research. It includes the descriptive statistics, characteristics of work motivation, attributes of employees' rewards, attributes of employees' performance and effects of the independent variables on the dependent variable, this among other issues.

#### **4.1 Descriptive Statistics**

The study aimed at obtaining a total of 67 respondents, but the questionnaires that were collected were only 43, representing a response rate of 64%. Table below indicates the cross tabulation of gender and education level of employees at BOT. The sample was mainly composed of male by 66.7% and female by 33.3%. Male that had postgraduate education were 62.5% while female only 37.5%. Refer table 4.1a below.

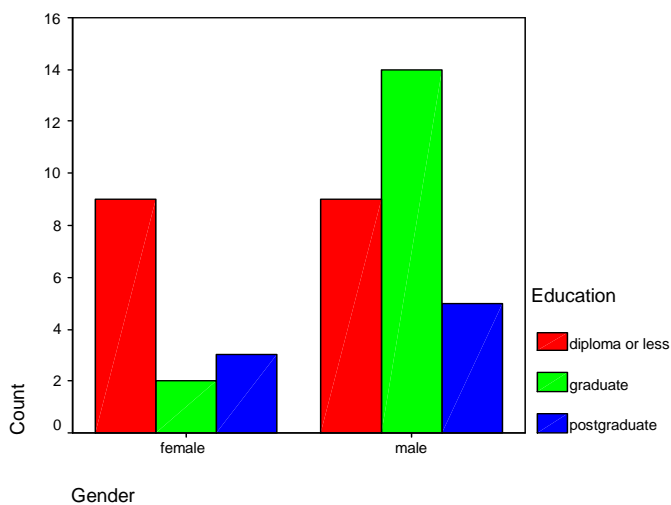


**Table 4.1a Gender Versus Education Cross Tabulation**

|        |                    |                    | Education       |          |              | Total  |
|--------|--------------------|--------------------|-----------------|----------|--------------|--------|
|        |                    |                    | diploma or less | graduate | postgraduate |        |
| Gender | female             | Count              | 9               | 2        | 3            | 14     |
|        |                    | % within Gender    | 64.3%           | 14.3%    | 21.4%        | 100.0% |
|        |                    | % within Education | 50.0%           | 12.5%    | 37.5%        | 33.3%  |
|        |                    | % of Total         | 21.4%           | 4.8%     | 7.1%         | 33.3%  |
|        | male               | Count              | 9               | 14       | 5            | 28     |
|        |                    | % within Gender    | 32.1%           | 50.0%    | 17.9%        | 100.0% |
|        |                    | % within Education | 50.0%           | 87.5%    | 62.5%        | 66.7%  |
|        |                    | % of Total         | 21.4%           | 33.3%    | 11.9%        | 66.7%  |
| Total  | Count              | 18                 | 16              | 8        | 42           |        |
|        | % within Gender    | 42.9%              | 38.1%           | 19.0%    | 100.0%       |        |
|        | % within Education | 100.0%             | 100.0%          | 100.0%   | 100.0%       |        |
|        | % of Total         | 42.9%              | 38.1%           | 19.0%    | 100.0%       |        |

Source: Data analysis (2015)

From the figure 4.1 below it is evident that there are more male employees with graduate education than there are female. Majority of female are diploma or less than diploma holder education. This indicates the gender disparity at BOT.



**Figure 4.1 Gender and Educational Levels**

Source: Data analysis (2015)

The analysis in table 4.1b below indicates that the average age of an employee at BOT was 44.9 years with a maximum of 60 years and minimum of 25 years. The work experience was on average 18.9 years with a maximum of 37 years and a minimum of 0.5 years. This indicates that the employees on average are well experienced in their work.

**Table 4.1b Employees' age and Work Experience Levels**

|                    | N  | Range | Minimum | Maximum | Sum     | Mean    | Std. Deviation |
|--------------------|----|-------|---------|---------|---------|---------|----------------|
| Age                | 41 | 35.00 | 25.00   | 60.00   | 1842.00 | 44.9268 | 10.3836        |
| Experience         | 43 | 36.50 | .50     | 37.00   | 814.25  | 18.9360 | 10.9318        |
| Valid N (listwise) | 41 |       |         |         |         |         |                |

Source: Data analysis (2015).

#### **4.2 Characteristics of Work Motivation at BOT**

Table 4.2 below indicates a group of responses analysis on employees' work motivation. The analysis indicates that 37.9% of responses indicate that they were motivated to work by the motivation strategies used by BOT at their work. While 32.2% strongly agreed to the same fact. These statistics indicate that employees at BOT are motivated to work due to good motivation strategies that are used at the bank.

**Table 4.2 Employees' Work Motivation**

| Work motivation   |      | Count | Percentage of responses | Percentage of cases |
|-------------------|------|-------|-------------------------|---------------------|
| Category label    | Code |       |                         |                     |
| Strongly disagree | 1    | 26    | 4.8                     | 61.9                |
| Disagree          | 2    | 33    | 6.1                     | 78.6                |
| Fair              | 3    | 102   | 19.0                    | 242.9               |
| Agree             | 4    | 204   | 37.9                    | 485.7               |
| Strongly agree    | 5    | 173   | 32.2                    | 411.9               |
| Total responses   |      | 538   | 100.0                   | 1281.0              |

### 4.3 Attributes of Employees' Reward System at BOT

In this study the first objective stated as follows;

*i) To assess the attributes of employees' reward system in the Bank of Tanzania*

The attributes of characteristics of the employees reward system was analyzed. There were two main categories of reward that were assessed, the financial rewards (such as bonuses, incentives, salary increments, salary size) and nonfinancial rewards (such as written or verbal recognition, praise, positive feedback, freedom to make decisions and promotions).

Table 4.3a below indicates that by 36.6% employees agree that they knew how their work success was measured. Only 2.4% did not know how they are measured.

**Table 4.3a Knowledge of Success Measurements**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 1         | 2.3     | 2.4           | 2.4                |
|         | disagree          | 7         | 16.3    | 17.1          | 19.5               |
|         | fair              | 9         | 20.9    | 22.0          | 41.5               |
|         | agree             | 15        | 34.9    | 36.6          | 78.0               |
|         | strongly agree    | 9         | 20.9    | 22.0          | 100.0              |
|         | Total             | 41        | 95.3    | 100.0         |                    |
| Missing | System            | 2         | 4.7     |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015).

Table 4.3b below indicate that employees did not view that bonuses were important than salary. 81.0% indicated that preference.

**Table 4.3b Importance of Bonuses Over Salary**

|         |        | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|--------|-----------|---------|---------------|--------------------|
| Valid   | yes    | 8         | 18.6    | 19.0          | 19.0               |
|         | no     | 34        | 79.1    | 81.0          | 100.0              |
|         | Total  | 42        | 97.7    | 100.0         |                    |
| Missing | System | 1         | 2.3     |               |                    |
| Total   |        | 43        | 100.0   |               |                    |

Source: Data analysis (2015).

Table 4.3c below employees indicated that 23.8% of employees strongly agree that extra efforts on work are recognised by management, making at least 47.6% agreeing to that fact.

**Table 4.3c Recognition of extra efforts**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 1         | 2.3     | 2.4           | 2.4                |
|         | disagree          | 4         | 9.3     | 9.5           | 11.9               |
|         | fair              | 17        | 39.5    | 40.5          | 52.4               |
|         | agree             | 10        | 23.3    | 23.8          | 76.2               |
|         | strongly agree    | 10        | 23.3    | 23.8          | 100.0              |
|         | Total             | 42        | 97.7    | 100.0         |                    |
| Missing | System            | 1         | 2.3     |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015).

The employees indicated that achievement celebrations were important to them by 72.1%. This indicated that nonfinancial rewards were significant to them as well (table 4.3d).

**Table 4.3d Achievement Celebrations**

|       |       | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------|-----------|---------|---------------|--------------------|
| Valid | yes   | 31        | 72.1    | 72.1          | 72.1               |
|       | no    | 12        | 27.9    | 27.9          | 100.0              |
|       | Total | 43        | 100.0   | 100.0         |                    |

Source: Data analysis (2015).

The analysis indicated that 60.5% of the employees were free to make decision while the rest were not free to make decision probably indicating the portion of employees that are non-decision making group. Table (4.3e).

**Table 4.3e Work environment**

|       |                           | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------------------------|-----------|---------|---------------|--------------------|
| Valid | free to make decision     | 26        | 60.5    | 60.5          | 60.5               |
|       | not free to make decision | 17        | 39.5    | 39.5          | 100.0              |
|       | Total                     | 43        | 100.0   | 100.0         |                    |

Source: Data analysis (2015).

The table 4.3f below indicates that employees by at least 78.6% indicated that they were motivated by financial rewards, indicating that financial rewards were significant in promoting job performance.

**Table 4.3f Motivation Through Financial Rewards**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 1         | 2.3     | 2.4           | 2.4                |
|         | disagree          | 3         | 7.0     | 7.1           | 9.5                |
|         | fair              | 5         | 11.6    | 11.9          | 21.4               |
|         | agree             | 21        | 48.8    | 50.0          | 71.4               |
|         | strongly agree    | 12        | 27.9    | 28.6          | 100.0              |
|         | Total             | 42        | 97.7    | 100.0         |                    |
| Missing | System            | 1         | 2.3     |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015)

The analysis indicated that employees at BOT were by 83.3% of opinion's response were motivated by nonfinancial rewards (table 4.3g).

**Table 4.3g Motivation Through Nonfinancial Rewards**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 3         | 7.0     | 7.1           | 7.1                |
|         | disagree          | 2         | 4.7     | 4.8           | 11.9               |
|         | fair              | 16        | 37.2    | 38.1          | 50.0               |
|         | agree             | 14        | 32.6    | 33.3          | 83.3               |
|         | strongly agree    | 7         | 16.3    | 16.7          | 100.0              |
|         | Total             | 42        | 97.7    | 100.0         |                    |
| Missing | System            | 1         | 2.3     |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015)

Table 4.3h below indicates the collective responses for the reward system at BOT. the analysis indicated by 33.0% and 25.8% that they agree and strongly agree respectively that both financial and nonfinancial rewards motivated them to work and that increased job performance at BOT.

**Table 4.3h Employees' Reward**

| employees rewards |      | Count | Percentage of responses | Percentage of cases |
|-------------------|------|-------|-------------------------|---------------------|
| Category label    | Code |       |                         |                     |
| strongly disagree | 1    | 30    | 9.0                     | 71.4                |
| Disagree          | 2    | 32    | 9.6                     | 76.2                |
| Fair              | 3    | 75    | 22.5                    | 178.6               |
| Agree             | 4    | 110   | 33.0                    | 261.9               |
| Strongly agree    | 5    | 86    | 25.8                    | 204.8               |
| Total responses   |      | 333   | 100.0                   | 792.9               |

Source: Data analysis (2015).

#### **4.4 Attributes of Employees' Work Performance at BOT**

This section analyses the characteristics of employee's work performance at BOT. it analyses these attributes in terms of quantity produced, quality produced, and timeliness on work and productivity levels.

*ii) To assess the attributes of employees' work performance in the Bank of Tanzania*

The employees at BOT indicated that by 48.7% employees quantity of work needed to be done was met by the workers, while only 10.3% strongly agreed to this fact. This generally indicates that the performance of work at BOT in terms of quantity that is produced in on average met by the employees (table 4.4a).

**Table 4.4a Quantity Produced Met**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 2         | 4.7     | 5.1           | 5.1                |
|         | disagree          | 3         | 7.0     | 7.7           | 12.8               |
|         | fair              | 11        | 25.6    | 28.2          | 41.0               |
|         | agree             | 19        | 44.2    | 48.7          | 89.7               |
|         | strongly agree    | 4         | 9.3     | 10.3          | 100.0              |
|         | Total             | 39        | 90.7    | 100.0         |                    |
| Missing | System            | 4         | 9.3     |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015)

Table 4.4b below indicated that in terms of quality of work production, 44.7% of respondents agreed that quality produced did not require reworking or were not rejected indicating that on average the quality of work is good, while only 13.2% strongly agreed to this fact.

**Table 4.4b Quality Produced Not Redone/Rejected**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 2         | 4.7     | 5.3           | 5.3                |
|         | disagree          | 3         | 7.0     | 7.9           | 13.2               |
|         | fair              | 11        | 25.6    | 28.9          | 42.1               |
|         | agree             | 17        | 39.5    | 44.7          | 86.8               |
|         | strongly agree    | 5         | 11.6    | 13.2          | 100.0              |
|         | Total             | 38        | 88.4    | 100.0         |                    |
| Missing | System            | 5         | 11.6    |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015)

Table 4.4c below indicates the timeliness of work. For a good performance work need to be completed on time, the table indicated that 51.2% of respondents indicated that work was accomplished on time, while 31.7% strongly agreed, thus work is done on time and thus performance is on average high at BOT.



**Table 4.4c Timely Completing Tasks**

|         |                | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|----------------|-----------|---------|---------------|--------------------|
| Valid   | disagree       | 3         | 7.0     | 7.3           | 7.3                |
|         | fair           | 4         | 9.3     | 9.8           | 17.1               |
|         | agree          | 21        | 48.8    | 51.2          | 68.3               |
|         | strongly agree | 13        | 30.2    | 31.7          | 100.0              |
|         | Total          | 41        | 95.3    | 100.0         |                    |
| Missing | System         | 2         | 4.7     |               |                    |
| Total   |                | 43        | 100.0   |               |                    |

Source: Data analysis (2015)

The productivity and performance relationship was assessed at BOT, table below indicates that there is a correspondence between the two aspects, 40.0% and 37.5% agreed and strongly agreed respectively that that was the case (table 4.4d).

**Table 4.4d Productivity-Performance Correspondence**

|         |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|-------------------|-----------|---------|---------------|--------------------|
| Valid   | strongly disagree | 1         | 2.3     | 2.5           | 2.5                |
|         | disagree          | 1         | 2.3     | 2.5           | 5.0                |
|         | fair              | 7         | 16.3    | 17.5          | 22.5               |
|         | agree             | 16        | 37.2    | 40.0          | 62.5               |
|         | strongly agree    | 15        | 34.9    | 37.5          | 100.0              |
|         | Total             | 40        | 93.0    | 100.0         |                    |
| Missing | System            | 3         | 7.0     |               |                    |
| Total   |                   | 43        | 100.0   |               |                    |

Source: Data analysis (2015).

Table 4.4e below indicated that by 36.2% and 15.8% they agree and strongly agree respectively that job performance at BOT is on average good.

**Table 4.4e Job Performance**

| job performance   |      | Count | Percentage of responses | Percentage of cases |
|-------------------|------|-------|-------------------------|---------------------|
| Category label    | Code |       |                         |                     |
| strongly disagree | 1    | 25    | 9.0                     | 61.0                |
| Disagree          | 2    | 41    | 14.7                    | 100.0               |
| Fair              | 3    | 68    | 24.4                    | 165.9               |
| Agree             | 4    | 101   | 36.2                    | 246.3               |
| Strongly agree    | 5    | 44    | 15.8                    | 107.3               |
| Total responses   |      | 279   | 100.0                   | 680.5               |

Source: Data analysis (2015).

#### **4.5 Contribution of Financial Rewards on Employees' Work Performance at BOT**

This section analyses and discusses the regressions that were modeled to address the effects of both financial and nonfinancial rewards on job performance. The amount of explanation (R-square 35.6%) that can be attributed to the factors under study was very small (refer table 4.5a below).

**Table 4.5a Regression Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |          |     |     |               |
|-------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
|       |                   |          |                   |                            | R Square Change   | F Change | df1 | df2 | Sig. F Change |
| 1     | .597 <sup>1</sup> | .356     | .223              | .8738044                   | .356              | 2.671    | 6   | 29  | .035          |

1. Predictors: (Constant), Experience (X), Gender (G), REGR factor1 (R1), Education (E), REGR factor2 (R2), Age

Source: Data analysis (2015).

The regression coefficients under study involved financial rewards (R1), nonfinancial rewards (R2), age of employees (A), gender of employees (G), education of employees (E) and work experience of employees (X). table below indicated that the

results were not significant which call for more study. But the directions were that a 100% change in financial rewards influenced a 3.3% change in work performance at BOT. the same can be argued for nonfinancial rewards (+44.7%), while actually education and experience has a negative impact on work performance (-14.0%) and (-39.7%) of change on job performance respectively (table4.5b).

**Table 4.5b Regression model-3 coefficients**

| Model |                   | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | Correlations |         |       |
|-------|-------------------|-----------------------------|------------|---------------------------|--------|------|--------------|---------|-------|
|       |                   | B                           | Std. Error | Beta                      |        |      | Zero-order   | Partial | Part  |
| 1     | (Constant)        | -.101                       | 1.230      |                           | -.082  | .935 |              |         |       |
|       | REGR factor1 (R1) | 3.136E-02                   | .207       | .033                      | .152   | .881 | .366         | .028    | .023  |
|       | REGR factor2 (R2) | .433                        | .218       | .447                      | 1.987  | .056 | .505         | .346    | .296  |
|       | Age (A)           | 4.030E-02                   | .037       | .397                      | 1.084  | .287 | -.006        | .197    | .162  |
|       | Gender (G)        | -.421                       | .317       | -.210                     | -1.326 | .195 | -.127        | -.239   | -.198 |
|       | Education (E)     | -.178                       | .204       | -.140                     | -.871  | .391 | -.243        | -.160   | -.130 |
|       | Experience (X)    | -3.708E-02                  | .036       | -.397                     | -1.044 | .305 | -.152        | -.190   | -.156 |

Dependent Variable: REGR factor3 (P)

Source: Data analysis (2015).

Thus, our third hypothesis was precisely dealing with this issue as clearly stated that;

*iii) To assess the contribution of financial rewards on employees work performance in the Bank of Tanzania*

In order to visualise the effects of education and experience on financial rewards, the analysis indicated that, education was positively related to financial rewards while experience was negatively related to it. Thus according to table below, an 11.0% increase in financial rewards can be attributed to education level, while a 29.0% decrease in financial rewards can be attributed by work experience. Thus this

indicated that experience did not very much matter to the increment of ones financial rewards (table 4.5c).

**Table 4.5c Regression model-1 coefficients**

| Model |                | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | Correlations |         |       |
|-------|----------------|-----------------------------|------------|---------------------------|--------|------|--------------|---------|-------|
|       |                | B                           | Std. Error | Beta                      |        |      | Zero-order   | Partial | Part  |
| 1     | (Constant)     | .249                        | .440       |                           | .566   | .575 |              |         |       |
|       | Education (E)  | .143                        | .209       | .110                      | .683   | .499 | .053         | .112    | .108  |
|       | Experience (X) | -2.665E-02                  | .015       | -.290                     | -1.803 | .079 | -.268        | -.284   | -.284 |

Dependent Variable: REGR factor1 (R1)

Source: Data analysis (2015).

$$R_1 = \alpha + \beta_5 E + \beta_6 X + \varepsilon \dots\dots\dots(1)$$

The table 4.5b (above) summarises the effect of financial rewards on job performance and indicated that financial rewards were positively responsible in influencing job performance at BOT.

$$P = \alpha + \beta_1 R_1 + \beta_2 R_2 + \beta_3 A + \beta_4 G + \beta_5 E + \beta_6 X + \varepsilon \dots\dots\dots(3)$$

This result is consistent to the arguments of Naicker (2012) who contend that the use of performance pay schemes by employers has been shown to increase workers’ productivity, effort and earnings. The focus has shifted in recent years from rigid salary scales, compulsory insurance and uniform benefits to pay for performance, pay for talent and productivity based incentives. The trend today is to regard all employee remuneration and benefits as rewards rather than benefits or entitlements and to align these with performance business results.

The main objective for the compensation strategy is to give the right rewards for the right employee behaviours. Compensation can be seen as an important motivating factor when trying to drive the right behaviour in employees which is to encourage employees to perform at their best. Rewarding employees who increase productivity or efficiency provides an incentive for other employees who want to achieve what the top employees are achieving. Rather than rewarding every employee with the same salary, outcome-based remuneration rewards the individual worker for extraordinary efforts (ibid).

Employees started to work during busy periods of the day as they realised the more they do the more reward they got. This helped move queues much faster which resulted in better customer service. The outcome-based remuneration scheme created a more competitive working environment, some might argue that this could be detrimental to the organisation as team work gets neglected, but it actually fostered a spirit of winning which from the empirical evidence it was quite evident that productivity levels increased significantly (ibid).

#### **4.6 Contribution of nonfinancial rewards on employees' work performance at**

##### **BOT**

In this section the analysis considers the contribution of education (E) and experience (X) to nonfinancial rewards in an attempt to address the effects of nonfinancial rewards to employees' job performance.

- iv) To assess the contribution of nonfinancial rewards on employees work performance in the Bank of Tanzania*

**Table 4.5d Regression Model-2 Coefficients**

| Model |                | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | Correlations |         |       |
|-------|----------------|-----------------------------|------------|---------------------------|--------|------|--------------|---------|-------|
|       |                | B                           | Std. Error | Beta                      |        |      | Zero-order   | Partial | Part  |
| 1     | (Constant)     | .607                        | .439       |                           | 1.381  | .175 |              |         |       |
|       | Education (E)  | -7.438E-02                  | .209       | -.057                     | -.356  | .724 | -.112        | -.058   | -.056 |
|       | Experience (X) | -2.566E-02                  | .015       | -.278                     | -1.738 | .091 | -.290        | -.275   | -.273 |

a. Dependent Variable: REGR factor2 (R2)

Source: Data analysis (2015).

$$R_2 = \alpha + \beta_5 E + \beta_6 X + \varepsilon \dots \dots \dots (2)$$

Based on the table 4.5b (above), nonfinancial rewards (R2) were assessed indicating that they contributed positively by 44.7% change to job performance. This indicates that nonfinancial rewards are important in influencing employees’ job performance at BOT.

$$P = \alpha + \beta_1 R_1 + \beta_2 R_2 + \beta_3 A + \beta_4 G + \beta_5 E + \beta_6 X + \varepsilon \dots \dots \dots (3)$$

Other nonfinancial aspects that motivate employees to work or the reasons that motivated employees at work that were cited were; team work, salary and related payments, working condition, health/life insurance benefits and training financed by employer, salary, safe working environment, better salary, good working condition and environment, and good remuneration (pay), good medical care, availability of soft loans (vehicle, house, personal loans), participation, achievements, interaction, creativity, leadership, service, for the case of achievement: they like challenging tasks with clear goals, and specific measures of success. The tasks have a clear beginning and end, rather than the work which is continuous and ongoing. Want to be

recognized for my accomplishments and like working for a manager who appreciates their abilities, also the one who can tell their weaknesses. Trustworthy leadership, leaders that are looking out for their best interests – will win their trust. Trust is a powerful motivational tool and is more transparent to find surprising results and new types of opportunities to develop their talent. Career advancement: they are extremely motivated to achieve if this means that advancement awaits them. This requires them to get opportunities that lie around, beneath and beyond what they can seek. Earning living and happiness: their motivation to achieve is ultimately based on earning a living that brings them tremendous joy and satisfaction. Happiness fuels them self-esteem and gives them hope for a better tomorrow.

Interaction; they enjoy frequent and friendly interaction with others. They prefer jobs where the work requires face-to-face (or at least voice-to-voice) contact with people. Creativity; they argued that they like value jobs that involve varied duties and opportunities to innovate. They get bored with repetition, like finding new ways to do familiar tasks, and enjoy brainstorming sessions. Service; they are largely motivated by the opportunity to help others or make the world a better place. For them, work is not a job, but a mission. They want to feel that activities or efforts ultimately have a positive impact on people. Problem solving; tackling complex and challenging problems is a motivating factor for them. Stable future; they are motivated to have safety and security. Everyone wants a stable future, but you never know when time will pass you by. That's why they are all in a race against time and thus motivated to achieve faster than ever before.

#### 4.7 Research Hypotheses Tests

This section tests and discusses the hypotheses that were hypothesised in this study based on regression equation 3 below.

$$P = \alpha + \beta_1 R_1 + \beta_2 R_2 + \beta_3 A + \beta_4 G + \beta_5 E + \beta_6 X + \varepsilon \dots\dots\dots$$

.....(3)

Where P= employees performance; R<sub>1</sub>=financial rewards; R<sub>2</sub>=nonfinancial rewards; A=age of employees; G=gender of employees; E=education level of employees; X=experience years of employees. And the  $\alpha, \beta$  &  $\varepsilon$  are alpha constant, beter coefficient and error term respectively.  $A, G, E$  &  $X$  are used as control variables.

Therefore the research hypotheses were confirmed as follows:

- i) *There is a positive effects of financial rewards on employees' performance at BOT.* The results indicated a positive but insignificant effect on employees' performance.
- ii) *There is a positive effects of nonfinancial rewards on employees' performance at BOT.* The results indicated a positive but insignificant effect on employees' performance.
- iii) *There is a positive effects of educational level of employees on employees' performance at BOT.* The results indicated a negative but insignificant effect on employees' performance.
- iv) *There is a positive effects of experience of employees on employees' performance at BOT.* The results indicated a negative but insignificant effect on employees' performance.



v) *Employees' gender affect employees' performance differently at BOT*

The results indicated a negative effect that is male employees worked more compared to female employees

vi) *There is a positive effects of age of employees on employees' performance at BOT*

The results indicate a positive but insignificant effect on employees' performance

vii) *There is a positive effects of education level of employees on financial rewards at BOT*

The results indicated that education level positively affected financial rewards, however results were not significant

viii) *There is a positive effects of work experience of employees on nonfinancial rewards at BOT*

The results indicated that work experience negatively affected nonfinancial rewards, however results were not significant

ix) *There is a positive effects of education level of employees on nonfinancial rewards at BOT*

The results indicated that education level negatively affected nonfinancial rewards, however results were not significant

x) *There is a positive effects of experience of employees on financial rewards at BOT*

The results indicated that work experience negatively affected financial rewards, however results were not significant.

#### **4.8 Conclusions**

From the analysis of the study above, it is evident therefore that financial rewards positively affect employees' job performance. Similarly nonfinancial rewards have the same impact on employees' job performance at BOT. Thus, it is crucial that managers of the bank pay attention on the way they reward their employees in order to boost job performance, but it is often time that nonfinancial rewards are ignored by managers in many organization, this study provides evidence that they are important in improving job performance.

## CHAPTER FIVE

### 5.0 CONCLUSIONS RECOMMENDATIONS

The research findings leads to the conclusion and implications for our objectives, this section discusses how the specific objectives have been attained and point out recommendations and spell out what was not attained that need further study.

#### 5.1 Conclusions

The specific objectives of the study were attained as it is specifically outlines below; the specific objectives of the study are stated and shown how they were attained as follows:

*i) To assess the attributes of employees' reward system in the Bank of Tanzania*

The attributes or characteristics of the BOT reward system were assessed and it was found that the employees knew how they were rewards, the system was open. They further indicated that extra efforts in work were rewarded accordingly. They indicated as well that both financial and nonfinancial rewards were important in their work performance, as it motivated them to work more.

*ii) To assess the attributes of employees' work performance in the Bank of Tanzania*

The study found that the characteristics of work performance at BOT was measured based on quantity produced, quality of work, timeliness on accomplishing tasks and the productivity of the employees. It was found that based on these criteria above the employees on average performed well. And were

able to produce specified quantity of work with good quality and on time and thus they indicated a labour force that was highly productive.

*iii) To assess the contribution of financial rewards on employees work performance in the Bank of Tanzania*

The study found that financial rewards had a positive effects on employees' job performance at BOT, that is the more the financial rewards were available to them the more they indicated willingness to work more. And thus financial rewards are important for the maintenance of job performance at BOT.

*iv) To assess the contribution of nonfinancial rewards on employees work performance in the Bank of Tanzania*

The study indicated that the role of nonfinancial rewards cannot be underestimated. They play important positive effects on employees' job performance. The more such rewards are given the more employees were motivated to work. And thus it has a great deal of implications on worker's productivity.

## **5.2 Recommendations**

The study came up with the following recommendations that need to take into effects or an effective management of employees' job performance at BOT and any work organization. First, employees' motivation to work is influenced by among other things the reward system in place, knowing that there is a specific rewards system is as important and providing the rewards themselves, thus management need to be more transparent on how they reward their employees, since that in effect creates expectation. Second, once the expectation is created by the transparent system,

employees consider rewards as significant for and need to be timely delivered to them. Third, both financial and nonfinancial rewards are significant in promoting job performance. Bonuses, salary increments, salary size (financial rewards) and verbal and written appraisals, celebrations and recognition (nonfinancial rewards) are equally important to employees when it comes to job performance, financial rewards may be the reason why they stay with an organization while nonfinancial rewards may be the reason why they tolerate to stay with the reason, they are encouraged to stay through them. Lastly, surely to plan for the rewards and having a clear rewards system in an organization is not only significant but a must in order to survive and compete successfully as an organization, thus manager need not to shy away from investing resources into this important function within organizations especially work organizations with highly demanding tasks such as a bank, not to mention a central banks such as BOT.

### **5.3 Areas for Further Studies**

The study came up with more issues that it could not answer which probe for more study and research; and these are as follows;

- i) To study the effects of transparency on the reward system on the performance of employees.
- ii) To study the contribution of level and range of financial rewards and their specific effect on workers motivation on work performance.
- iii) To study identify other factors other than rewards that are instrumental in influencing job performance in work organization particularly BOT because the findings of the study in this case were not statistically significant as indicated in the analysis but also, the amount of explanation that could be attributed to these

two factors was very small, indicating the presence of other reason that could account for the remain effects.

- iv) There are more other reasons for work performance that were identified in section 4.6, these need to be imperially tested at BOT.
- v) Despite reward system what would be the role of punishment system on job performance?

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**APPENDIX**

**1. QUESTIONNAIRE FOR BACKGROUND INFORMATION**

1. Gender

a) Female \_\_\_\_\_

b) Male \_\_\_\_\_

2. Age \_\_\_\_\_

3. Educational level \_\_\_\_\_

4. Position \_\_\_\_\_

5. How long have you been working for the BOT \_\_\_\_\_

**WORK MOTIVATION**

6. What motivates you most at work?

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7. What do you think about taking risk?

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8. How does your job enable you to fulfill your basic needs?

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9. How does your employer encourage you to work?

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10. I prefer my job environment to be (Please select one)

a) Free to make decisions so I have more responsibilities

b) Hierarchy so I have to work according to instructions given

**REWARDS**

11. What do you think is the essence of incentive to you?

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12. Do you think bonuses are more important than your salary why?

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13. Are BOT achievement celebrations important to you why?

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14. What other reward aspect beside wages do you think it is important for you?  
Why?

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15. Do you perceive tangible and intangible rewards equally? Why?

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16. Could you answer the questionnaire by rating the following statements by ticking only one appropriate box on the side of each question, where 1= strongly disagree, 2 =

Disagree, 3 = fair, 4 = Agree, 5 = strongly agree, which best corresponds with your opinion.

| What is your opinion for the following             | Rating Scale |   |   |   |   |
|--|--------------|---|---|---|---|
| <b>WORK MOTIVATION</b>                             |              |   |   |   |   |
| My company provide fair promotion opportunities    | 1            | 2 | 3 | 4 | 5 |
| Promotion should be based on performance           | 1            | 2 | 3 | 4 | 5 |
| My job is beneficial to my career                  | 1            | 2 | 3 | 4 | 5 |
| My boss allows me to have my ability fully utilize | 1            | 2 | 3 | 4 | 5 |
| It's enjoyable to go to work                       | 1            | 2 | 3 | 4 | 5 |
| I have the possibility to be promoted in my work   | 1            | 2 | 3 | 4 | 5 |
| I like more challenging task at work               | 1            | 2 | 3 | 4 | 5 |
| I am well aware of the bank comprehensive goals    | 1            | 2 | 3 | 4 | 5 |
| I am satisfied with the working condition          | 1            | 2 | 3 | 4 | 5 |
| My boss is good in communicating information       | 1            | 2 | 3 | 4 | 5 |
| It is essential for managers empower employees     | 1            | 2 | 3 | 4 | 5 |
| The bank value my service                          | 1            | 2 | 3 | 4 | 5 |

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| I am happy with my salary  | 1 | 2 | 3 | 4 | 5 |
| <b>REWARDS</b>   |   |   |   |   |   |
| I know how my success was measured   | 1 | 2 | 3 | 4 | 5 |
| Bonuses should not be part of the bank policy  | 1 | 2 | 3 | 4 | 5 |
| My boss recognizes the extra effort I put at work  | 1 | 2 | 3 | 4 | 5 |
| Rewards should be based on performance   | 1 | 2 | 3 | 4 | 5 |
| Financial rewards: bonuses, incentive pays motivate me to work                                       | 1 | 2 | 3 | 4 | 5 |
| Financial rewards: salary increaments, salary size motivate me to work                               | 1 | 2 | 3 | 4 | 5 |
| Nonfinancial rewards: writted or verbal recognition, praise, positive feedbacks motivate me to work  | 1 | 2 | 3 | 4 | 5 |
| Nonfinancial rewards: promotions, other organizational opportunity motivate me to work               | 1 | 2 | 3 | 4 | 5 |
| <b>EMPLOYEES' JOB PERFORMANCE</b>  |   |   |   |   |   |
| Quantity produced: There is a percentage of work output that is not produced within a given task/job | 1 | 2 | 3 | 4 | 5 |
| Quantity produced: There is a percentage   | 1 | 2 | 3 | 4 | 5 |

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| of work output that is produced within a given task/job  |   |   |   |   |   |
| Quality produced: There is a percentage of work output that must be redone or is rejected by supervisor                  | 1 | 2 | 3 | 4 | 5 |
| Quality produced: There is a percentage of work output that must be do not to be redone or is not rejected by supervisor | 1 | 2 | 3 | 4 | 5 |
| Timeliness: I complete my tasks/jobs on time   | 1 | 2 | 3 | 4 | 5 |
| Timeliness: I do not complete my tasks/jobs on time  | 1 | 2 | 3 | 4 | 5 |
| Productivity: My labour productivity as an indicator of my performance corresponds to my job performance                 | 1 | 2 | 3 | 4 | 5 |

## **INTERVIEW QUESTIONS**

### **A. BACKGROUND INFORMATION**

1. Can you brief me a bit about your organization?
2. What is your position within the bank?
3. What duties do you carry out in the bank?
4. How often do you have general meetings with the employees?

### **B. WORK MOTIVATION**

5. How do you assess your own motivation as a factor for employee performance?
6. How do you assess employee motivation as a factor for employee performance?
7. How often do you communicate with employees?
8. Are there motivational tools? If yes, please list .....
9. Do you consider it important communicating to the staffs? How?
10. What factors affect the attitude of employees either positive or negative?
11. Have you realized any changes in employee performance in the past two years?
12. Would you encourage employees in decision-making? How?
13. Is it the responsibility for the manager to motivate the employees? How?



**C. REWARDS**

14. How is the incentive system for the managers' structure at your bank?
15. What types of differences exist in the motivation of an employee who has been for a long time with the company and those who have just arrived?
16. What type of reward system you have in the company?
  - a) Financial
  - b) Nonfinancial
17. Is there any need for improvement for the reward system?