

**IMPACT OF REWARD SYSTEMS ON THE ORGANIZATIONS
PERFORMANCE IN TANZANIAN BANKING INDUSTRY: A CASE OF
COMMERCIAL BANKS IN MWANZA CITY**

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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 titled: ***“Impact of Reward Systems on the Organizations Performance in Tanzanian Banking Industry: A Case of Commercial Banks in Mwanza City”*** in partial fulfillment of the requirements for the Degree of Master of Human Resource Management of the Open University of Tanzania.

.....

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.....

Date

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DECLARATION

I, **Jesca N. Kikoito**, do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

.....

Signature

.....

Date

DEDICATION

This work dedicated to my beloved mother, Mrs. Verdiana Kikoito for her moral and spiritual support as well as prayers during my entire studies.

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This Work has been a result of a collective Effort of a number of people. I would like to take this opportunity to thank the following individuals for their contribution in the successful completion of this dissertation. First, the management of CRDB BANK PLC, NMB BANK PLC and NBC BANK LTD where this study was conducted, for assisting me to do this study in their organizations.

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ABSTRACT

Reward system is an important tool that management uses to channel employee's motivation in desired ways such as better functionality and further improve company performance. The purpose of this study was to examine the impact of reward systems on organisational performance in commercial banks in Mwanza city, Tanzania. The study was guided by the following specific objectives:(i) to determine the reward systems currently used in commercial banks in Mwanza city, (ii) to determine employees' view of reward system used by commercial banks in Mwanza city, (ii) to assess the effect of extrinsic rewards (remuneration, bonus, salary and promotion) in organization performance and (iv) to assess the effect of intrinsic rewards (praise and recognition) on organization performance in commercial banks of Mwanza city. The study used descriptive research design which incorporated both quantitative and qualitative approaches. The study surveyed 65 employees from three commercial banks (CRDB, NBC and NMB) in Mwanza City, using self administered questionnaire. It also interviewed selected employees. The data was analyzed with use of descriptive statistics (SPSS and excel) and data presented as frequency distribution tables and histograms. The findings of this study showed that the three commercial banks in Mwanza city offer both extrinsic (salary, bonus and promotion) and intrinsic (praise, recognition and genuine appreciation) rewards to their employees. However, the results found that employees were not satisfied with the current reward packages and salary level was viewed to be too low and did not reflect cost of living in Mwanza city. The study further indicated the intrinsic (non financial) rewards were not satisfactory to employees.

TABLE OF CONTENTS

CERTIFICATION	ii
COPYRIGHT	iii
DECLARATION.....	iv
DEDICATION.....	v
ACKNOWLEDGEMENTS.....	vi
ABSTRACT	vii
LIST OF TABLES	xii
LIST OF FIGURES	xiv
LIST OF APPENDICES.....	xv
LIST OF ABBREVIATIONS.....	xvi
CHAPTER ONE.....	1
1.0 BACKGROUND TO THE STUDY.....	1
1.1 Introduction	1
1.2 Background to the Study	1
1.3 Statement of the Problem	3
1.4 Objectives of the Study	4
1.4.1 General Objective.....	4
1.4.2 Specific Objectives.....	5
1.5 Research Questions	5
1.6 Significance of the Study	5
1.7 Scope and Delimitation of the Study.....	6
1.8 Organization of the Dissertation.....	6

1.9	Conclusion.....	7
CHAPTER TWO		8
2.0	LITERATURE REVIEW	8
2.1	Introduction	8
2.2	Rewards	8
2.2.1	Reward Definition	8
2.1.2	Types of Rewards	8
2.1.3	Reward and Government Policy.....	11
2.2	Organisational Performance	12
2.2.1	Definition of Organisation Performance	12
2.2.2	Performance Measurement.....	12
2.3	Theories and Models for Explaining Rewards System	14
2.3.1	Herzberg’s Two Factor Theory	14
2.4	Reward Systems and Organisation Performance	15
2.5	Empirical Studies	18
2.6	Research Gap.....	19
2.7	Conceptual Framework	20
CHAPTER TWO		22
3.0	MATERIALS AND METHODS	22
3.1	Introduction	22
3.2	Research Design	22
3.3	Geographical Area.....	22
3.4	Target Population	23
3.5	Sample Size	23

3.6	Sampling Technique.....	23
3.7	Data Collection Instrument	24
3.7.1	Primary Data.....	24
3.7.2	Secondary Data.....	25
3.8	Data Analysis	26
3.9	Reliability and Validity	26
3.9.1	Reliability	26
3.9.2	Validity.....	27
3.10	Ethical Consideration	27
	CHAPTER FOUR.....	29
4.0	DATA ANALYSIS AND DISCUSSION OF FINDINGS.....	29
4.1	Introduction	29
4.2	Respondents Background Information	29
4.3	Research Objectives	32
4.3.1	Research Objective 1: To Determine the Reward System Currently Used in Commercial Banks in Mwanza City	32
4.3.2	Research Objective 2: To Determine Employees View of Reward System Used by Commercial Banks in Mwanza City	35
4.3.3	Research Objective 3: To Assess the Effect of Extrinsic Rewards (Salary, Bonus and Promotion) in Organization Performance	38
4.3.4	Research Objective 4: To Assess the Effect of Intrinsic Rewards (Praise and Recognition) on Organization Performance.....	40
4.4	Issues from Interviews.....	43
	CHAPTER FIVE.....	46

5.0	SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	46
5.1	Introduction.....	46
5.2	Summary and Conclusion.....	46
5.2.1	Research Objective 1: To Determine the Reward Systems Currently Used in Commercial Banks in Mwanza City.....	46
5.2.2	Research Objective 2: To Determine Employees' View of Reward System Used by Commercial Banks in Mwanza City.....	46
5.2.3	Research Objective 3: To Assess the Effect of Extrinsic Rewards (Remuneration, Bonus, Salary and Promotion) in Organization Performance.	47
5.2.4	Research Objective 4: To Assess the Effect of Intrinsic Rewards (Praise and Recognition) on Organization Performance in Commercial Banks of Mwanza City	47
5.3	Conclusion.....	48
5.4	Recommendations.....	49
5.5	Suggested Areas for Future Research	50
	REFERENCES	51
	APPENDICES	57

LIST OF TABLES

Table 3.1: Categories of the Target Population	23
Table 4.1: Gender of the Respondents	30
Table 4.2: Respondents by level of education.....	31
Table 4.3: Financial Reward Provided by Commercial Banks	32
Table 4.4: Level of Employees' Satisfaction with the Current Level of Financial Rewards	33
Table 4.5: Non-Financial Rewards are used by Commercial Bank	33
Table 4.6: Level of Satisfaction with the Current Level of Non-Financial Rewards	34
Table 4.7: Employees' View of Current Salary Level.....	35
Table 4.8: Employees' View of Current Level Compared Competitors.....	36
Table 4.9: Employees' Views of Commission Level Offered at Commercial Banks	36
Table 4.10: Recognition is Given to Good Performance	37
Table 4.11: Offering of Praise Word for Excellent Performance	38
Table 4.12: Frequency of Salary Increase	39
Table 4.13: Effect of Bonus on Job Performance.....	39
Table 4.14: Effect of Promotion on Employees' Performance During the Year	40
Table 4.15: Effect of Praise for a Job Well Done by Supervisor on Workers' Performance	40
Table 4.16: Effect of Formal Recognition (Such as Certificate) on Job Performance	41

Table 4.17: Effect of Family Day Outing to Bank Employees on their Performance	
During the Year	42
Table 4.18: Effect of Informal Recognition on Workers' Performance	43

LIST OF FIGURES

Figure 2.1 Conceptual Framework..... 21

Figure 4.1: Age of the Respondents 31

LIST OF APPENDICES

Appendix 1: Questionnaire (English Version) 57
Appendix 2: Interview Guide –To Management..... 64

LIST OF ABBREVIATION

CRDB	Community Rural Development Bank
ER	Extrinsic Reward
HRD	Human Resource Development
HRM	Human Resource Management
ILO	International Labour Organization
IR	Intrinsic Reward
NBC	National Bank of Commence
NMB	National Microfinance Bank
OP	Organization Performance
SPSS	Statistical Package for Social Science
UK	United Kingdom
URT	United Republic of Tanzania
USA	United State of America

CHAPTER ONE

1.0 BACKGROUND TO THE STUDY

1.1 Introduction

This research investigates the effect of reward systems on the Organization Performance in commercial banks in Mwanza city, Tanzania. This chapter is an introduction chapter to the study. The chapter begins with background to the study, followed by statement of research problem and research objectives. It also presents the significance and justification of the research, scope and delimitation of the study. Finally it gives key definitions used in this research and conceptual framework.

1.2 Background to the Study

Rewarding employees is associated with the motivation of the workforce of organization for better performance. However, what type and mix of rewarding tools to use is challenge for the organizations. Several studies have demonstrated rewards have positive impact on the employee's health and work place safety. It is one of the factors that sought increase employees engagement in the work place, which is the key element in the work performance (Furtado, *et al.* 2009).

It is the concern of organizations all over the world on effective human capital strategies to enhance their productivity. It is clear that employee's productivity in the expanding organization is a key factor in organization performance. Employees, technically known as human resources in modern organizations, are rightly considered as the most important assets for banking industry success (Ong and Teh, 2012). In developed countries such as USA, JAPAN, UK and Germany organizations

recognize employees as the important asset that needs high consideration in promotion (Lawler and Worley, 2006).

The rationale behind the use of rewards to employees is that motivated employees become satisfied in terms of fulfilling their wants, both financial and non financial. Failure to do so, employees will be tempted to leave the organization. (Azasu, 2009). On one hand, employees prefer receiving intrinsic rewards in terms of praise and recognition for certain work accomplishments, while other employees are happy with extrinsic reward in terms of salaries, bonus and incentive offered to employees (Lawler, 2008, Sajuyigbe, Bosede and Adeyemi, 2013).

In developing countries such as China, India and Thailand also employees reward is one of highly demanded factors in commercial banking that thought for influencing organization performance. One of the most important factors in rewarding employees for organization performance is through recognition and appreciation (Ajila and Abilola, 2004).

There is a need for managers to recognise employees in terms of reward increase motivation and better performance in the job assigned that is highly linked to the organization performance such as commercial banks (Jones and Culbertson 2011; Aktar, Sachu & Ali, 2012). It is evident, those workforces that being rewarded in a manner to meet a described standard are in position of performing better. Invariably rewards play an important role in a success of organization (Pulakos and Leary, 2011).

In Tanzania like any other country employees are motivated by rewards. There is a need for organization to reward its employees for creating a successful competitive environment. This is one of the essential for the organizations to achieve high work performance. Some employees are highly motivated by extrinsic rewards such as increase in pay, promotions and bonus, others employees are motivated with intrinsic rewards such as appreciation, praise and recognition on (Bana and Kessy, 2007). However, which of the rewards motivate Tanzanian workforce higher organizational performance especially in commercial is not well understood and this will be the force of this study.

1.3 Statement of the Problem

There is increasingly a need for organization to be in a position of understanding appropriate rewarding system that motivates their employees for higher organization performance (Vance 2012). What appropriate rewards that should form the employment package is currently challenging commercial banking performance (Ajila and Abiola, 2004: Aktar, Sachu & Ali, 2012).

In Tanzania various reward packages are used and these involve monetary (extrinsic) and non-monetary (intrinsic) rewards. For example, in the context of monetary reward salary increase is sought to be highly essential for employees' satisfaction (URT, 2010). However, little is known in Tanzania about the effect of other reward tools on employee and organisation performance.

Several studies on reward systems and work/organisation performance have conducted, for example in Pakistan cement industry (Quresh, Zaman and Shah,

2010), Nigerian manufacturing industry (Sajuyigbe, Bosede and Adeyemi, 2013), Bangladesh commercial banks (Aktar, Sachu & Ali, 2012) and Malaysian universities (Jalaini *et al.*, 2013).

These studies indicated in today's environment, employees including bank employees are motivated by both intrinsic (internal) and extrinsic (external) rewards for greater work/ organisation performance and that none of the two sets of reward systems should be overlooked by managers when motivating employees for higher performance. That is, in most of these studies, each tool /factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance.

However, most of these studies were conducted outside Tanzania. Furthermore, the only Tanzanian study by Bana and Kessy (2007) examined the relationship between staff management and organizational performance and rewards was one of the factors but did not examine in detail the impact of different extrinsic and intrinsic rewards on organization performance. This research was intended to fill this gap. Therefore, this study was examining the impact of reward systems on the Organization Performance, particularly in commercial banking organization in Mwanza, Tanzania.

1.4 Objectives of the Study

1.4.1 General Objective

The overall objective of the study is to assess the effect of reward systems on the organization performance of commercial banks in Mwanza city, Tanzania.

1.4.2 Specific Objectives

- (i) To determine the reward systems currently used in commercial Banks in Mwanza city
- (ii) To determine employees view of reward system used by commercial Banks in Mwanza city
- (iii) To assess the effect of extrinsic rewards (salary, bonus and promotion) in organization (bank) performance in Mwanza city
- (iv) To assess the effect of intrinsic Rewards (Praise and recognition) on organization (bank) performance in Mwanza city

1.5 Research Questions

- (i) What are reward systems currently used in commercial Bank in Mwanza city?
- (ii) What is the view of employees on reward system used by commercial Bank in Mwanza City?
- (iii) What is the effect of extrinsic rewards (Remuneration, bonus, salary and promotion) on organization (bank) performance in Mwanza city?
- (iv) What are the effect of Intrinsic Rewards (praise and recognition) on organization (banks) performance in Mwanza city?

1.6 Significance of the Study

In view of the study objectives, findings of this study will have some practical relevance. First, it will provide a deeper understanding of the appropriate reward systems that required to be adopted by commercial banking organization to influence employees work performance.

Second, the findings of the study will help the planners of Human Resource rewarding system on how to implement appropriate reward strategies within the organisation to enhance work performance. Third, some of this study will help commercial banking management to reflect more on the purpose and benefits of rewarding employees in line with work performance. Finally, the findings of this research will add to the body of knowledge in the field of reward systems in private sector, especially commercial banks on their suitability and adequacy of reward packages to be introduced to lift employees' performance.

1.7 Scope and Delimitation of the Study

This research was conducted in Mwanza city and specifically focused on impact of reward system work performance of employees in three commercial banks: CRDB, NBC and NMB banks. It was also limited to employees who have been working in the bank for at least 12 months and hence have experience reward system in their banks. These banks were selected because they are near to researcher and able to easily access the required information.

1.8 Organization of the Dissertation

The dissertation is organized into five chapters: Chapter One presents background information to the study; statement of the research problem; objectives of the study and research questions; justification and significance of the study; scope and delimitation of the study and conceptual framework. Chapter two is about review of the extant literature that consists of the theoretical and empirical review on reward systems and organisational performance. Chapter three explains the research

methodology used in this research. Chapter four provides a presentation and discussion of the research findings. Finally, Chapter five presents, the summary, conclusions and recommendations from the study.

1.9 Conclusion

This chapter presented the background to the study, the statement of the research problem and objectives to guide the research work were presented. The chapter further provided scope and delimitation of the study as well as definitions of terms. The next chapter provides detailed literature review relevant to the research problem.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter deals with theoretical parts and empirical reviews of the related studies on the Impact of Reward Systems on the commercial Banking organization in Mwanza.

2.2 Rewards

2.2.1 Reward Definition

Reward is the compensation which an employee receives from an organization for exchanging for the service offered by the employee or as the return for work done (Lin, 2007). It also refers to the collection of brain structures that try to control and regulate behaviour by inducing pleasure (Ajila and Abiola, 2004). Human resource can be rewarded and optimally utilized through rewarding it using different techniques of significance importance.

Carraher *et al.* (2006) advocates that there should be an effective reward system for organization performance and reward should be related to their productivity. Thus, organizations must make policies and procedures and formulate such reward system under those policies and procedures which increase employee satisfaction. Bishop (1987) suggested that pay is directly related with productivity and reward system depends upon the size of an organization.

2.1.2 Types of Rewards

There are several types of reward systems that organisations can use. According to McCormick and Tifflin (1979), the system of rewards can be classified as intrinsic or

extrinsic. Intrinsic reward system is those that are inherent in the job and which the individual enjoys as a result of successfully completing the task or attaining his goals. On the other hand extrinsic reward comes from external and it is tangible in order to appreciate the task performed by employee. Extrinsic rewards are external to the task of the job, including pay, work condition, fringe benefits, security, and promotion, contract of service, salary, incentives, bonuses, payments and job security the work environment and conditions of work. (Badrinarayan and Tilekar, 2011). Thus, there is a need for an organization such as commercial banking to determine the reward system to offer at the organizational level rather than the individual managers.

(i) Intrinsic Reward

Intrinsic reward concerns with psychological development of employees (Williamson, Burnett & Bartol, 2009). They are intangible benefits and include the characteristics such as autonomy, feedback and decision making participation (Hackman & Oldham, 1976). The intrinsic reward system are created purposely to appreciate employees in form of self-esteem and related to their feeling of achievement and growth with organization. Employees are feel satisfy when they have accomplished something worth in work and orally appreciated by the organization (Nawab, Ahmad and Shafi, (2011).

(ii) Extrinsic Rewards

The extrinsic rewards cover the basic needs of income to survive (to pay bills), a feeling of stability and consistency (the job is secure), and recognition (my workplace values my skills). Hellriegel (1999) say an extrinsic reward is outcomes supplied by

the organization, and includes salary, status, job security and fringe benefits. One can compare these rewards to the job context items that Herzberg called hygiene factors.

(iii) Use of Combination of Intrinsic and Extrinsic Rewards

According to Kreitner (1999) an alternative typology for organizational rewards is the distinction between extrinsic and intrinsic rewards but this should mean to adopt one type of reward and ignoring the other. In practice, organisations use a combination of intrinsic and extrinsic rewards in organisation reward package is recommended

According to Nelson & Spitzer (2002) although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, there is a change that the essence of the reward would be forgotten. In a study conducted by (Bewen, 2000), the researcher warns that managers should be aware of 'non-rewards'. Such rewards should be utilized sparingly, and should not be used all the time. They are also described to be passive, and they do not necessarily lead to positive behaviors in the long term.

Furthermore, according to Shore & Shore (1995), employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for. Thus, there is a need for the employer to really make an effort in showing the employee that his/her wellbeing (from various aspects) is of concern to the organization and the management and that the contribution of the employee towards the organization is highly valued. This idea was further reiterated by Buchanan (1974) who adds that the

recognition of contributions towards the organization has a positive relationship towards increasing the commitment of the employee towards the organization and its objectives. In brief, most researchers and practitioners advocate the concurrent use of intrinsic and extrinsic rewards.

2.1.3 Reward and Government Policy

Government policy has increasingly based on the reform of rewarding system such as pay and incentive to clearly increase organization performance. It was clearly indicated under the context of macro-economic reforms that were started in the 1980s through to the 1990s. In 1994, the Government policy emphasizes pays as an integral component of organization performance.

This is because many of the problems associated with poor performance of the organization were related to lack of an appropriate compensation structure and weaknesses in the pay system. It ought to be said at the outset that Pay and Incentives problems in the organization go beyond salaries. That must clearly includes appreciation, recognition, promotion, bonus and working environment (URT, 2010). Thus, organization, specifically commercial banks required to advocate the rewarding system that must taken into account the intrinsically and extrinsically components of reward. This has been clearly emphasized in the context of government policy to make the organization cope with the employees' need, which is an indispensable ingredient for organization performance.

2.2 Organisational Performance

2.2.1 Definition of Organisation Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard *et al.* (2009), organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc).

Organizational performance is the ultimate dependent variable of interest for researchers concerned with just about any area of management (Devinney *et al.*, 2010). This broad construct is essential in allowing researchers and managers to evaluate firms over time and compare them to rivals. In short, organizational performance is the most important criterion in evaluating organizations, their actions, and environments. This importance is reflected in the pervasive use of organizational performance as a dependent variable as noted in Figure 2.1 (Conceptual Framework for this research).

2.2.2 Performance Measurement

There are several methods that have been put forward for measuring organisational performance at employee and organisational level. One group of performance measures who are traditional are financial and accounting based and these were based on the assumption organisation performance is only measure in quantifiable units. These financial measures include income or sales from operations, rate of return on investment and residual income (Warren *et al.*, 2008). Without disregarding

the merits of the financial and accounting measures in assessing performance, the fact that they were cost based and backward looking provided little motivation (Manzoni & Islam, 2009).

There are now new enhanced metrics to measure performance being adopted by financial specialists and these include measures such as activity based costing and economic value added (Beheshti & Beheshti, 2010). Another recent concept to measure performance is that balance scorecard.

According to Manzoni and Islam (2009), the *balance scorecard* is a set of various performance measures of a company. In addition to financial performance, a balance scorecard normally includes performance measures for customer services, innovation and learning, and internal processes. For example, performance measures for customer service consist of the number of customer complaints handled, the number of repeat customers, efficiency of service delivery and quality of customer services as well as change/improvement in job skill level. Customer surveys can also be used to get together measures of customer satisfaction with the company as compared to competitors although this not common used. The performance measures of internal processes take account of the length of time it takes to manufacture a product or process a service as in service-based organisation and these need more time to track down and assess

Taljaard (2003) indicated that, performance can be measured by the performance appraisal and it was broadened to include the management tools. Performance can also be measured in terms some output produce such as the quality or quantity of job, job

design and others (Jalaini, 2013). Furthermore, Taljaard (2003) also claimed that there are some researchers quoted that the job performance should be designed in order to achieve the organizational objective. Nevertheless, it has been demonstrated that when certain specifiable conditions exist, reward systems can motivate workers to increase their performance (Gerhart and Milkovich, 1992; Lawler, 1990; Jalaini *et al.*, 2013).

In this study, organisational performance of commercial banks was measured at two levels: employee job performance (speed, accuracy and number of transactions completed in given period) and overall organisation performance in terms of sales volume and productivity).

2.3 Theories and Models for Explaining Rewards System

Several theories have been used to explain the link between employee reward systems and organisation performance. These include Expectancy theory (Vrom, 1964), Herzberg's Two factor theory (Herzberg (1959), Maslow hierarchy of needs (Maslow, 1943) and Fifty-Fifty (Srivastava, 2005). In this study Herzberg's two factor theory was selected as the guiding theory because the two factors relate directly to intrinsic and extrinsic factors. It is discussed next in detail.

2.3.1 Herzberg's Two Factor Theory

The theory suggested that people have two sets of needs. (i) Their needs as animals to avoid pain. Their needs as humans to grow psychologically, Herzberg's study consisted of a series of interviews that sought to elicit responses to the questions. From the results Herzberg concluded that the replies people gave when they felt good about their jobs were significantly different from the replies given when they felt bad.

Intrinsic factors, such as work itself, responsibility and achievement seem to be related to job satisfaction. Clearly employees who feel good about their work tend to attribute these factors to them. In contrast, dissatisfied employees tend to cite extrinsic factors such as supervision, pay, and company policies and working condition (Dieleman, *et al.*, 2004).

This theory is relevant to this study because it mentions two factors that affect work performance. That is, extrinsic which include salary and promotion and intrinsic factors which include praise and recognition. Therefore, in this research, rewarding commercial bank employees' in terms of both intrinsic and extrinsic rewards would be expected to have effect on work performance of employee work which when aggregated and collectively their performance are extrapolated at company level measures overall organisational performance.

2.4 Reward Systems and Organisation Performance

The two types of reward system have mixed results in terms of their effect on employee and overall organisational performance. Next is their detailed discussion.

(i) Effect of Intrinsic Rewards on Individual and Organization Performance

The intrinsic rewards have been found to have an effect on both individual and organizational performance. For example, the employees in an organization have reached the esteem stage of development and possibly the self-actualization phase through the impact of intrinsic rewards (Mikander, 2010). The intrinsic rewards encourage and enhance both employees and employer to be able to challenge them and accomplish new tasks and cooperate with others to work in a harmony environment

(Ong and The, 2012). Apart from that, intrinsic rewards enable the employees to have greater concentration and keep them in energizing and self-managing (Yasmeen, Farooq & Asghar, 2013). By having the high levels of intrinsic rewards, employees become the informal recruiters and marketers for their organization in which they recommend their friends to work in the organization and recommend product and services to potential customers.

According to Thomas (2009), intrinsic rewards create a win-win situation for organization and its employees. The employees feel happy and satisfied as they experience feelings of achievement and self-worth, which create job satisfaction and translates into improved work performance. At the same time, the organization increases its sales volume and profit because of the increase in employee job satisfaction has collectively increased aggregate form's performance.

Furthermore, intrinsic rewards facilitate greater levels of satisfaction and competency. As results, employees have more interest, excitement, fun and confidence in performing tasks which leads to enhanced organizational performance. However, research by Uco (1992) suggested that organizations should pay employees equitable salaries, not tied to performance, so as to attract and ensure participation, and to rely more on intrinsic motivational techniques to improve performance (Uco, 1992).

(ii) Effect of Extrinsic Rewards on Individual and Organization Performance

The extrinsic rewards cover the basic needs of income to survive (to pay bills), a feeling of stability and consistency (the job is secure), and recognition (my workplace values my skills). Hellriegel (1999) say an extrinsic reward is outcomes

supplied by the organization, and includes salary, status, job security and fringe benefits. One can compare these rewards to the job context items that Herzberg called hygiene (maintenance) factors. Queresh, Zaman & Ali (2010) indicated that (extrinsic) financial rewards and social recognition rewards impacted on employees' performance. Generally as, an effort to stimulate employees' creativity, many managers have used extrinsic rewards (e.g. monetary incentives and recognition) to motivate their employees (Fairbank and Williams, 2001; Van Dijk and Van den Ende, 2002).

While empirical research has shown that extrinsic rewards help enhance individuals' creative performance and which contribute ultimately towards organisation performance. However, the impact of extrinsic rewards on group effectiveness or work performance is unclear and the models provide little guidance regarding specific type of rewards that maximise particular outcomes in work group. However, Sajuyigbe, Bosede and Adeyemi (2013), found that reward dimensions have significant effect on employees' performance. In particular, they found that pay, performance bonus, recognition and praise are the tools that management can use to motivate employees in order for them to perform effectively and efficiently. Thus, workers reward package matters a lot and should be a concern of both the employers and employees.

In brief, it appears each research comes with slightly results suggesting neither of the rewards can be considered to a more effect of job performance and/or organisational performance.

2.5 Empirical Studies

Several studies have been done on the impact of reward system on organization performance in different parts of the world. Next is a discussion of some of recent studies

Quresh, Zaman and Shah (2010) in their Pakistan in cement industry found that there is a direct relationship between extrinsic rewards, intrinsic rewards and the employees' performance. The study also found that recognition techniques (approaches) used in cement factories are good for the maximum performance of employee's. This study is relevant but different from the current study as the later is dealing with target population of white collar jobs, while the former examined factory workers. Furthermore, this research examined the relationship between extrinsic rewards, intrinsic rewards, financial rewards and social recognition rewards and organisation performance, while the new study specifically examines the effect of intrinsic rewards (social recognition and appreciation) and extrinsic rewards (salary, bonus and performance promotion) on job and organisation performance.

Aktar, Sachu & Ali (2012) examined the impact of intrinsic rewards (recognition. Learning opportunities, challenging work and career advancement, and extrinsic rewards (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh as is in this study. The study found that each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance. In contrast, the study conducted by Yasmeen, Farooq and Asghar (2013) on the impact of rewards on organizational performance

in Pakistan revealed that there exists insignificant and weak relationship between salary, bonus and organization performance. However it found that there exists moderate to strong relationship between promotion and organization performance. Although these two studies are similar to the current study, they were conducted outside Tanzania and because of cultural difference and other idiosyncrasies, the impact of rewards on organisation performance could yield different outcomes in Tanzania.

The study conducted by Ong and Teh (2012) on reward system and performance within Malaysian commercial banks found that most of the commercial banks provide both monetary and non-monetary rewards; adoption of reward system is not influenced by age and size of the organization. The study however, found a negative relationship to exist between extrinsic rewards and financial performance of organizations and intrinsic rewards are positively related to financial performance of organizations. The proposed study however, includes financial and non-financial indicators as the dependent variables.

2.6 Research Gap

The studies discussed in the previous section were conducted outside Tanzania (Quresh, Zaman & Shah 2010; Aktar, Sachu & Ali 2012; Ong and Teh, 2012). Furthermore, some of these studies, examined one set of reward system or broad variables such as financial rewards, recognition rewards for example, Quresh, Zaman and Shah (2010). In addition, most of these studies yielded conflicting results suggesting that there maybe cultural differences and therefore, there is need for

research how Tanzanian white workers react to different reward systems. Furthermore, the study conducted in Tanzania by Bana and Kessy (2007) examined the relationship between staff management and organisational performance and rewards was one of the factors but did not examine in detail the impact of different extrinsic and intrinsic rewards on organization performance. This research fills this knowledge gap and will examine the impact of intrinsic and extrinsic rewards on organizations performance in commercial banks of Tanzania – a case of Mwanza city.

2.7 Conceptual Framework

Conceptual framework is a set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others (Schwartz, 2006). Figure 2.1 is the conceptual framework showing the relationships between independent and dependent variables, as well as intervening variables for the research problem. The independent variables were conceptualized as intrinsic rewards (recognition, Learning opportunities, challenging work, genuine appreciation and career advancement, and extrinsic rewards (basic salary and performance bonus) (Luthans, 2000; Quresh, Sachu & Ali, 2012; Sajuyigbe, Bosede and Adeyemi, 2013). In contrast, the dependent variables measures work performance (such as job quality, job accomplishment) and overall organisation preference (Taljaad, 2003). The independent variables have been shown to have an effect Ong and The, 2012), For example, Aktar, Sachu & Ali (2012) found that each reward factor within both extrinsic and intrinsic reward systems, was a highly significant factor which affects employees' performance.

Other factors such as other government policy, economic climate and cultural difference of employees has been taken into consideration because of their moderating effect on the dependent variables. Essentially, the Herzberg two factor theory of *intrinsic and extrinsic* factors is the guiding theory in this research.

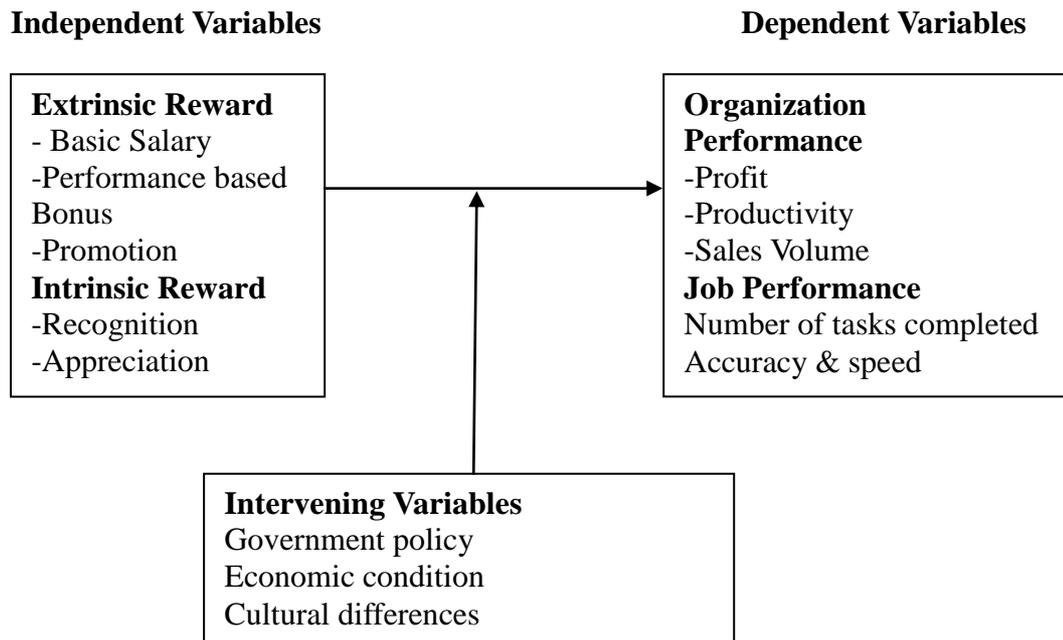


Figure 2.1 Conceptual Framework

Source: Developed by the Researcher (2014)

CHAPTER TWO

3.0 MATERIALS AND METHODS

3.1 Introduction

This chapter focused on research design, study area, population of the study, sample size sampling technique, data source, data collection instruments data analysis and presentation.

3.2 Research Design

Research design as defined by cooper *et al.* (2003) is the plan and structure of investigation so conceived as to obtain answer to research questions. This study adopted a descriptive research design, which according to Cooper and Schindler (2003) involves surveying people and recording their responses for analysis. Within the descriptive research design, this study incorporated both quantitative and qualitative research approaches to better understand the relationship between variables in the research problem.

3.3 Geographical Area

This study was conducted in Mwanza region which is located in the northern part of Tanzania just south of Lake Victoria. To the east, north and West are the sister lake dominated regions of Mara and Kagera. The main economic activities of that region are agriculture, fishing, manufacturing, trade, banking and education. Mwanza region is one of the business and agriculture region which attract commercial banks due to customers from agriculture and business activities. The study was conducted in Mwanza region to cover commercial banking organizations. It is more preferably

because of the presence of commercial bank organizations, more specifically employees rewarding is an issue need for research in such organizations.

3.4 Target Population

According to patterned (2003) target populations consists of the people who wish to describe using our sample. This study was targeted commercial banks employees. In which the management of commercial bank comprised of thirty seven employees and other employees comprised of sixty eight numbers of employees. Table 3.1 shows the detail of categories of study population.

Table 3.1: Categories of the Target Population

Category	Commercial Banks			Total
	NMB	CRDB	NBC	
Management	10	10	3	23
Human resource officers	2	3	1	6
Employees	2	40	11	71
Total	32	53	15	100

Source: Field Data (2014)

3.5 Sample Size

The sample consisted of the employees working in commercial banking organization. Sampling method was used to collect the primary data. A sample of 65 respondents was used. The categories of respondents were included management, Human resource officers and other employees.

3.6 Sampling Technique

Sampling techniques were both simple random and purposive, simple random sampling as Pitlenger (2003) described that the number of sampling population has

an equal probability being selected. Purposive sampling was used to obtain commercial banking management official and human resource officers. Simple random was used for the selection of middle staff in commercial banking organization.

3.7 Data Collection Instrument

3.7.1 Primary Data

Primary data refers to the data that are original and not yet published which are always called fresh data that one collects directly from the field. Primary data were collected using the following methods and tools;

(i) Questionnaires

A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Foddy, 1994). Questionnaire was used because it manages to collect information from a large number of people in a short period of time and in a relatively cost effective way. This tool gives room and freedom of expression to the respondents that they expecting to get more information to capture important themes of the study on the impact of rewards on organization performance. The questionnaire was used to collect data from commercial banks employees, to get the impact of rewards on organization performance. A questionnaire was developed based on research objectives as indicated appendix I.

(ii) Interviews

An interview is a conversation between two or more people where questions are asked by interviewer to elicit facts or statements from the interviewee (Seidman,

1998). This method gives the researcher the freedom to probe the interviewee to elaborate or to follow a new line of inquiry introduced by what the interviewee is saying. These interviews allowed the researcher to clarify ambiguous answers and when appropriate, seek follow-up information. It was easily enable the researcher to capture important themes on the impact of rewards on organization performance.

This method was applied to collect data from key informant such as management officers and human resource officers, as allowed to express their views and feeling on the impact of rewards both financial and non-financial rewards to organization performance. Then the relationship between rewards and organization performance were deeply discussed. It was applied in this research as it gives more room to respondents to explain concerning the impact of rewards in organization performance. Interview was developed based on research objectives as indicated appendix II.

3.7.2 Secondary Data

Secondary data on the other hand refers to data that has been collected that can be published or unpublished but are already exists. It will be clearly collected through the following method:

(i) Documentary review

Is the analysis of different documents to get information related to important themes from various materials in libraries and online sources (Scott, 2006). From this method the researcher was reviewed different documents related to rewards on organization performance.

3.8 Data Analysis

The data were processed the data (both primary and secondary) manually. The processing stage was involved editing, classification, coding, transcription and tabulation. In the analysis of data, descriptive analysis was employed to determine the currently reward system employed in commercial banks, Pearson's correlation coefficient and Regression are used to find the impact of rewards on organization performance. It was based on the relationship of rewards and the performance commercial banks. The use of computer employed SPSS version 16 (Statistical Package for Social Science) was used for this purpose. After being analyzed was presented inform of tables, graphs and pie chart. That was clearly indicated with important variables from the major study themes related to the impact of rewards on organization performance.

3.9 Reliability and Validity

Reliability and validity are the two most important quality control objects in research. The following are the explanation of validity and reliability in research.

3.9.1 Reliability

Reliability is an instrument which is used to describe the overall consistency of a measure. A measure is said to have a high reliability if it produces similar results under consistent conditions, (Neil, 2009). The issue of reliability was ensured through the appropriate random sampling and a purposive sampling technique is another indication of reliability in this study. Also the study was included supervisor's comments and advice on the impact of rewarding to organization performance.

3.9.2 Validity

Validity refers to the degree to which study accurately reflect or assesses the specific concepts the researcher is attempting to measure (Fidel, 1993). The types of validity include internal validity which clearly indicates the principles of cause and effects in research, External validity which clearly focus on the effects of research that can be generalized. In this study internal validity was invariably applied to test the impact of rewards in commercial banks performance.

Validity was enhanced through the pilot study that was purposely undertaken to pre-test the research tools and methods before the study to be undertaken. Certainly was enhanced this study validity as interview and questionnaires were clearly checked, these techniques were constructed basing on the objectives of the study. In confirming the validity of the instrument, face and content validities were ensured.

The instrument was applied to professionals in the area of Organizational Psychology for proper scrutiny and evaluation. Furthermore, since this research is not a statistical study and the aim is to sample widely, external validity was achieved by analytical generalization of comparing research evidence with the existing literature.

3.10 Ethical Consideration

The ethical consideration was taken into account throughout data collection. First, each selected respondent was informed that his/her response is voluntary and only those who provided verbal and written consent was taken part in the study. Second, the clear introduction and elaboration of the objectives of the study was given to

every respondent before engaging him/her in the fieldwork. Thirdly, all research tools were had an introduction so that participants identities were kept anonymous, to avoid any harm to respondents. Furthermore, the study was abided by the ethics of social research ranging from professional ethics to those concerning researcher-respondent relationship. In addition, all who were assisted the researcher in one way or another was given due respect. Acknowledgements of other scholars' works were maintained throughout the research process.

CHAPTER FOUR

4.0 DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

The purpose of this study was to examine the impact of reward systems on the organisational performance in commercial banks in Mwanza City. The chapter considers the findings from the questionnaire and the results are discussed the following objectives:

- (i) To determine the reward system currently used in commercial banks, in Mwanza
- (ii) To determine employees' view of reward system used by commercial banks in Mwanza city,
- (ii) To assess the effect of extrinsic rewards (remuneration, bonus, salary and promotion) in organization performance in Mwanza city and
- (iv) To assess the effect of intrinsic Rewards (Praise and recognition) on organization performance in commercial banks in Mwanza city.

However, his background characteristics of respondents are firstly presented to provide a clear picture of the nature of people that participated in the study and other issues from the in-depth interviewees are given last.

4.2 Respondents Background Information

(i) Categories of Respondents and Responses Rate

There was one general category of respondents namely employees of the three commercial banks in Mwanza. 100 questionnaires were sent out three commercial

banks and only 65 questionnaires were returned complete and usable. This represents sent 62% response rate of 62% which slightly above the industry standard of 40-60% (Mugenda and Mugenda, 2003).

(ii) Characteristics of Respondents

The study took into account respondents general characteristics and information, in this study the researcher considered respondents in terms of gender, Age, marital status and education level to draw understanding of the Impact of Reward System (including recognition, praise, salary, promotion, remuneration and promotion) on the Organization Performance of commercial banks in Mwanza.

(a) Gender of the respondents

Table 4.1 indicates that 58.5% of respondents are male and 41.5% are female. These results suggest that the sample is reasonably representative.

Table 4.1: Gender of the Respondents

Category	Frequency	Percent	Cumulative Percent
Male	38	58.5	58.5
Female	27	41.5	100.0
Total	65	100.0	

Source: Field findings (2014)

(b) Respondents' age

Figure 4.1 indicates that 61.5% of respondents are between 26 to 35 years. This indicates that commercial banks in Mwanza have young and energetic employees. Next 18.5% of respondents were 36- 53 years, and only 6.2% are aged above 56

years. These results generally imply that majority of employees of commercial Banks are young and not yet settled, poor reward system to them will cause more turnover so as to find the green pasture. And good reward system will retain them.

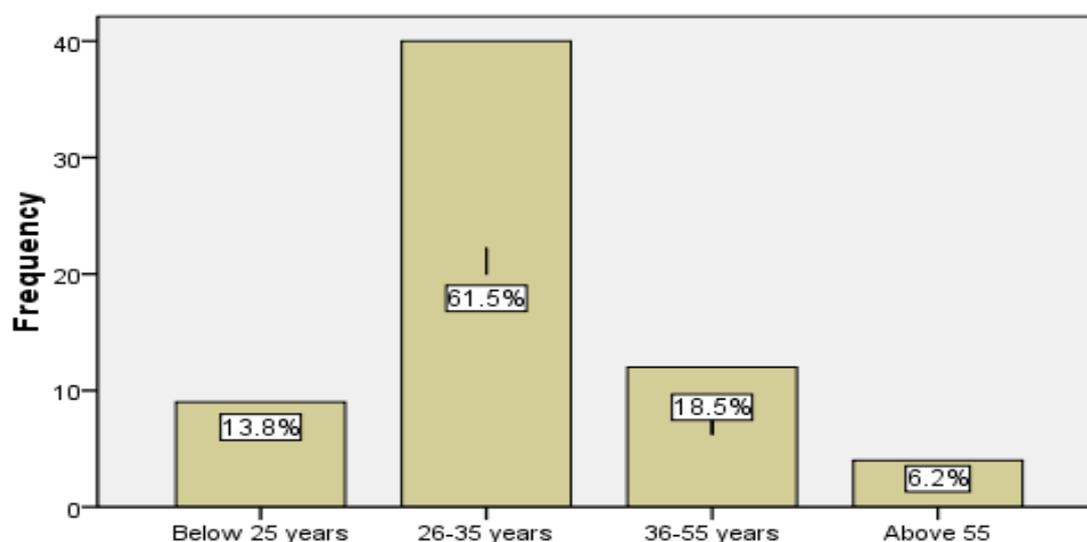


Figure 4.1: Age of the Respondents

Source: Field findings (2014)

(c) Respondents' Level of Education

Table 4.2 shows that 69.2% of the respondents have first degree level of education, 18.5% have Master degree and 4.6% have certificate education, 1.5% are holders of advanced diploma and 6.2% diploma.

Table 4.2: Respondents by level of education

Category	Frequency	Percent	Cumulative Percent
Certificate	3	4.6	4.6
Diploma	4	6.2	10.8
First Degree	45	69.2	80.0
Masters Degree	12	18.5	98.5
Advanced diploma	1	1.5	100.0
Total	65	100.0	

Source: Field findings (2014)

This result indicates that commercial banks in Mwanza have a well-educated workforce as over 87,7% are degree holders and commercially have to provide good reward system to retain them for long time. This also because banking is a highly skilled competitive professional that require a certain level of education.

4.3 Research Objectives

This study had four objectives. The results of each objective are presented in the following sub section

4.3.1 Research Objective 1: To Determine the Reward System Currently Used in Commercial Banks in Mwanza City

(i) Financial Reward Provided by Commercial Banks

Table 4.3 shows that 18.5% of respondents indicated salary is one of the rewards offered by the bank, 63.1% indicated bonus, 4.6% commission, 9.1% allowance and 4.6% other types of rewards. These results suggest that majority of employees (63.1%) consider bonus as the most important reward followed by salary and next other rewards. This is because salary is amount a worker gets every months regardless of the amount of effort and time put in while is performance based reward which motivation based.

Table 4.3: Financial Reward Provided by Commercial Banks

Category	Frequency	Percent	Cumulative Percent
Salary	12	18.5	18.5
Bonus	41	63.1	81.5
Commission	3	4.6	86.2
Allowance	6	9.2	95.4
Others	3	4.6	100.0
Total	65	100.0	

Source: Field findings (2014)

(ii) Level of Employees' Satisfaction with Current Level of Financial Rewards

Table 4.4 indicates that 55.4% of respondents are satisfied with financial rewards provided at their banks, 18.5% are very satisfied, and 13.8% are dissatisfied while 13.8% are neutral. These results imply that the majority (73.9%) of employees are satisfied with overall level of financial rewards being offered by their commercial banks.

Table 4.4: Level of Employees' Satisfaction with the Current Level of Financial Rewards

Category	Frequency	Percent	Cumulative Percent
Very satisfied	12	18.5	18.5
Satisfied	36	55.4	73.8
Not sure neutral	8	12.3	86.2
Dissatisfied	9	13.8	100.0
Total	65	100.0	

Source: Field findings (2014)

Table 4.5: Non-Financial Rewards are used by Commercial Bank

Category	Frequency	Percent	Cumulative Percent
Praise from your boss	13	20.0	20.0
Formal recognition (Such as certificate, employee of the month)	16	24.6	44.6
Informal recognition (Thank you note)	8	12.3	56.9
Sent out for a conference/workshop/seminar	20	30.8	87.7
End of the year social part	8	12.3	100.0
Total	65	100.0	

Source: Field findings (2014)

(iii) Non-Financial Rewards Provided by Commercial Bank

As indicated on Table 4.5, 30.8% of respondents were sponsored to go for conference/workshop/seminars, 24.6% received formal recognition (such as certificate, employee of the month), 12.3% received informal recognition (thank you note) and 12.3% saw end of the year social party as reward for appreciation of job well done. These results suggest that commercial banks uses variety of non-financial rewards to motivate their workforce although to varying frequency.

(iv) Level of Satisfaction with the Current Level of Non-Financial Rewards

As indicated in Table 4.6, 35.4% of respondents are dissatisfied with the current level of non-financial rewards provided to them by their commercial banks, 15.4% strongly dissatisfied, 23.1% are satisfied and 13.8% are very satisfied while 12.3% are neutral. These findings indicates that majority of respondents are dissatisfied with non-financial rewards currently provided by commercial banks.

Table 4.6: Level of Satisfaction with the Current Level of Non-Financial Rewards

Category	Frequency	Percent	Cumulative Percent
Very satisfied	9	13.8	13.8
Satisfied	15	23.1	36.9
Neutral	8	12.3	49.2
Dissatisfied	23	35.4	84.6
Strongly dissatisfied	10	15.4	100.0
Total	65	100.0	

Source: Field findings (2014)

4.3.2 Research Objective 2: To Determine Employees View of Reward System Used by Commercial Banks in Mwanza City

(i) Employees' View Current Salary Level

As indicated on Table 4.7, 60% of respondents strongly disagreed that their salary is excellent, 24.6% disagreed with that statement, 7.7% agreed, 6.2% strongly agreed and 1.5% are neutral. These results suggest that the majority (84.6%) of employees in commercial banks in Mwanza city are not happy or satisfied with the current salary level. This observation was summed by a comment from an interviewee.

“Banks in Tanzania do not pay well. The salary offered does not reflect the current economic situation. It is far too low to live on. Also, the annual increase does not match the rate of inflation. Workers are happy with present salary level”

Thus management needs to address this issue if they have salary as motivating financial reward for their employees

Table 4.7: Employees' View of Current Salary Level

Category	Frequency	Percent	Cumulative Percent
Strongly Disagree	39	60.0	60.0
Disagree	16	24.6	84.6
Neutral	1	1.5	86.2
Agree	5	7.7	93.1
Strongly Agree	4	6.2	100.0
Total	65	100.0	

Source: Field findings (2014)

(ii) Employees' View of Current Bonus Level Compared to Competitors

Table 4.8 shows that 43.1% of respondents strongly disagreed that bonus is above competition, 27.7% disagreed with that statement, 12.3% agreed, 9.2% strongly

agreed and 7.7% are neutral. These results suggest that majority (70.8%) of the commercial banks employees in Mwanza are not satisfied with the current bonus level. This observation was supported by comments from an interview.

“Bonus paid by commercial banks in Tanzania is below what is paid in other industries or other financial institutions. This does not motivate workers at all”

Table 4.8: Employees’ View of Current Level Compared Competitors

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	28	43.1	43.1
Disagree	18	27.7	70.8
Neutral	5	7.7	78.5
Agree	8	12.3	90.8
Strongly agree	6	9.2	100.0
Total	65	100.0	

Source: Field Findings (2014)

(iii) Employees’ views of commission level offered at commercial banks

Table 4.9 indicates that 33.8% of respondents strongly disagreed that commission is excellent, 23.1% disagreed with that statement, 16.9% agreed, 12.3% strongly agreed and 13.8% are neutral. These results suggest that majority (56.9%) of commercial banks employees are not satisfied with the commission provided at their banks.

Table 4.9: Employees’ Views of Commission Level Offered at Commercial Banks

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	22	33.8	33.8
Disagree	15	23.1	56.9
Neutral	9	13.8	70.8
Agree	11	16.9	87.7
Strongly agree	8	12.3	100.00
Total	65	100.0	

Source: Field findings (2014)

(iv) Recognition is Given to Good Performance

Table 4.10 shows that 44.6% of respondents disagreed that recognition is given to good performance, 21.5% strongly disagreed with that statement, 4.6% agreed, 20% strongly agreed and 9.2% are neutral. These results imply that commercial banks employees are recognized when they perform well as 66.1% indicated so. This observation was summed by the comments from interviewee:

“We do a lot of work and overtime every day. The bank makes profit but we are rarely recognized for the good performance. As a result employees get demotivated because whether you work hard or not no one notices”

Thus, there is need to have ways of recognizing good performance.

Table 4.10: Recognition is Given to Good Performance

Category	Frequency	Percent	Cumulative Percent
Strongly Disagree	14	21.5	21.5
Disagree	29	44.6	66.2
Neutral	6	9.2	75.4
Agree	3	4.6	80.0
Strongly Agree	13	20.0	100.0
Total	65	100.0	

Source: Field findings (2014)

(v) Praise for Excellent Performance

Table 4.11, shows that 50.8% of respondents strongly disagreed with the statement that praise is given for excellent performance, 41.5% disagreed with that statement, 3.1 agreed, 1.5% strongly agreed and 3.1% are neutral. These results suggest that majority (92.3%) of commercial banks employees are not given praise even when performs excellently. This observation summed by the comments from interviewee:

“At our bank giving praise for job well done is not common. For example I have more their met my sales targets every month but my immediate supervisor never says anything”

Thus, this kind of intrinsic rewards is not utilized by banks to motivate their employees and there is need to practice it as part routine operation to keep employees' morale high.

Table 4.11: Offering of Praise Word for Excellent Performance

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	33	50.8	50.8
Disagree	27	41.5	92.3
Neutral	2	3.1	95.4
Agree	2	3.1	98.5
Strongly disagree	1	1.5	100.0
Total	65	100.0	

Source: Field findings (2014)

4.3.3 Research Objective 3: To Assess the Effect of Extrinsic Rewards (Salary, Bonus and Promotion) in Organization Performance

(i) Frequency of Increase in Salary

Table 4.12 shows that 46.2% of respondents strongly disagreed with the statement that salary is frequently reviewed and increased, 24.6% disagreed with that statement, 16.9% agreed, 7.7% strongly agreed and 4.6% are neutral. These results indicate that majority of employees do not get frequent salary increase and as result they are not motivated to improve their job performance.

Table 4.12: Frequency of Salary Increase

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	30	46.2	46.2
Disagree	16	24.6	70.8
Neutral	3	4.6	75.4
Agree	11	16.9	92.3
Strongly agree	5	7.7	100.0
Total	65	100.0	

Source: Field findings, 2014

(ii) Effect of Bonus on Job Performance During the Year

As shown in Table 4.13, 33.8% of respondents strongly agreed that they are motivated to perform their better and consistently during the year when they are assured of getting bonus, 32.3% agreed with that statement, 12.3% strongly disagreed, 20% disagreed and 1.5% are neutral. These findings show that majority (66.1%) of commercial banks employees would improve that performance when assured of better bonus than they are currently getting.

Table 4.13: Effect of Bonus on Job Performance

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	8	12.3	12.3
Disagree	13	20.0	32.3
Neutral	1	1.5	33.8
Agree	21	32.3	66.2
Strongly agree	22	33.8	100.0
Total	65	100.0	

Source: Field findings (2014)

(ii) Effect of Promotion on Employees' Performance During the Year

Table 4.14 indicates that 52.3% of respondents agreed that getting job promotion to higher position or responsibility motivates them to work harder during the year, 12.3% agreed to that statement, 15.4% disagreed, 9.2% strongly disagreed and 10.8% are neutral. These results suggest that majority (61.6%) of commercial banks employees get motivated when promoted and that the banks performance would similarly improve.

Table 4.14: Effect of Promotion on Employees' Performance During the Year

Category	Frequency	Percent	Cumulative Percent
Strongly Disagree	6	9.2	9.2
Disagree	10	15.4	24.6
Neutral	7	10.8	35.4
Agree	34	52.3	87.7
Strongly Agree	8	12.3	100.0
Total	65	100.0	

Source: Field findings (2014)

4.3.4 Research Objective 4: To Assess the Effect of Intrinsic Rewards (Praise and Recognition) on Organization Performance

(i) Effect of Praise for a Job Well Done by Supervisor on Workers' Performance

Table 4.15 indicates that 38.5% of respondents agreed that praise made by their bosses encourages them perform their job consistently better, 23.1% strongly agreed, 18.5% disagreed, 9.2% strongly agreed and 10.8% are neutral. These findings indicate that majority (61.6%) of the employees get motivated to perform the work better when they receive from their supervisors.

Table 4.15: Effect of Praise for a Job Well Done by Supervisor on Workers'

Performance

Category	Frequency	Percent	Cumulative Percent
Strongly Disagree	6	9.2	9.2
Disagree	12	18.5	27.7
Neutral	7	10.8	38.5
Agree	25	38.5	76.9
Strongly Agree	15	23.1	100.0
Total	65	100.0	

Source: Field findings (2014)

(ii) Effect of Formal Recognition (such as Certificate) on Job Performance

Table 4.16 shows that 38.5% of respondents agreed that formal recognition such as certificates offered to employee as recognition of exemplary performance employees and co-workers to perform better, 21.5% strongly agreed with that statement, 7.7% disagreed and 4.6% strongly disagreed and 27.7% are neutral. These results imply that majority (60.0%) of commercial banks employees get motivated to perform better when formally recognized in their work environment.

Table 4.16: Effect of Formal Recognition (Such as Certificate) on Job Performance

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	3	4.6	4.6
Disagree	5	7.7	12.3
Neutral	18	27.7	40.0
Agree	25	38.5	78.5
Strongly Agree	14	21.5	100.0
Total	65	100.0	

Source: Field findings (2014)

(iii) Effect of Family Day Outing to Bank Employees on their Performance

During the Year

As shown on table 4.17, 33.8% of respondents agreed that a family day offered by the bank to employees and their families at its annual gathering motivates them to work harder during a year, 23.1% strongly agreed to that statement, 20% disagreed, 21.5% strongly disagreed and 1.5% is neutral. These findings indicate that majority (56.9%) of the commercial banks employees are motivated to work harder during the year as they look forward to the annual family day. These observations were supported by the comments from one interviewee.

“The constant thoughts of upcoming annual family day at year encourage me to work harder during the year because I know this is the time the banks show their appreciation for my work. It also helps to show my family for their support during the year and banks way of appreciating years’ efforts. It is also an opportunity for families to socialize together, more time to rest and talk as well as reflect on years’ activities. It is a great motivation tools for most of the bank employees”

Thus, the management of the bank need to carefully plan this annual event with a them that recognizes employees’ effort during the year

Table 4.17: Effect of Family Day Outing to Bank Employees on their Performance During the Year

Category	Frequency	Percent	Cumulative Percent
Strongly disagree	14	21.5	21.5
Disagree	13	20.0	41.5
Neutral	1	1.5	43.1
Agree	22	33.8	76.0
Strongly agree	15	23.1	100.0
Total	65	100.0	

Source: Field findings (2014)

(iv) Effect of Informal Recognition on Workers' Performance

Table 4.18 indicates that 38.5% of respondents agreed that informal recognition such as “thank you”, “very done”, and “you are a star” motivates them to improve their performance during the year, 32.3% strongly agreed with that statement, 12.3% disagreed, 10.8% strongly disagreed and 6.2% are neutral. These results infer that the majority (70.8%) of commercial banks' employees are motivated to work harder they are informally recognized individually or as a team.

Table 4.18: Effect of Informal Recognition on Workers' Performance

Category	Frequency	Percent	Cumulative Percent
Strongly Disagree	7	10.8	10.8
Disagree	8	12.3	23.1
Neutral	4	6.2	29.1
Agree	25	38.5	67.1
Strongly agree	21	32.3	100.0
Total	65	100.0	

Source: Field findings (2014)

In brief, the results about effect of intrinsic rewards on employee performance are in agreement with previous studies by Fairbank and Williams (2011) who found that the intrinsic rewards have the potential to enhance the creative performance among employees.

4.4 Issues from Interviews

Interview was conducted with selected employees from three commercial banks in Mwanza city several emerged. First, on the aspect of reward system currently in place at their banks, employees indicated they get both financial and non-financial

rewards. For financial rewards they agreed that salary offered does not reflect the level of effort and time put in the job. However employees indicated that bonus given is only for managers and not to all employees. This has raised some discontentment among the employees because they believe overall bank performance is a collective action rather than individual managers.

For this they suggested that there should annual bonus for every bank employee regardless of the position one holds in the bank. The interviewed employees indicated that commission not a common reward in the bank although it offered to agents or brokers. The non- financial rewards were mainly in form of promotion, praise and recognition such as certificate of excellent of high performers either at work place or at family day. Overall, the bank employees in Mwanza were not satisfied with the financial reward package but appreciated the infrequent non-financial rewards.

Second on issue of the impact of reward systems on organization performance, employees did all agree that intrinsic rewards such as salary, bonus and allowance does have an impact on both individual and organization performance. They explained that motivated employees generally perform better and consistently when these intrinsic rewards are offered frequently rather once a year. However, they also admitted that motivation is only sustained when it is supplemented with intrinsic rewards such as praise for job well done and recognition formally and informally.

Finally, employees stressed that banks' rewards system require regularly review to keep pace with what is happening in the market place especially in the highly

competitive environment. They also noted, employees are migrating from one bank to another looking for extra rewards and this has lead to demotivation of the remaining employees. The employees recommend that any reward system to be developed should seek not only to attract good employees to join the organization but also keep those already in the system motivated to perform to high levels.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study was carried to examine the impact of reward systems on the organisational performance in commercial banks in Mwanza City. This chapter presents summary and conclusion, recommendations and suggested areas for further research.

5.2 Summary and Conclusion

5.2.1 Research Objective 1: To Determine the Reward Systems Currently Used in Commercial Banks in Mwanza City

The research indicated that the commercial banks in Mwanza city offer financial rewards in form of salary, bonus, commission and allowances. The employees are reasonably satisfied with the levels of these rewards. However the employees are somewhat satisfied with non- financial rewards (praise from their bosses, formal and informal recognition, and of year family day) because these rewards are not frequently used in these commercial banks.

5.2.2 Research Objective 2: To Determine Employees' View of Reward System Used by Commercial Banks in Mwanza City

The results revealed that bank employees find salary offered to be less than satisfaction. Also bonus only offered to management and commission also offered to a selected few employees. On the non-financial rewards, the majority of the

employees are dissatisfied with recognition given and there is absence of praise in the work place as only 4.6% of bank employees experienced praise rewards. This calls for implementation non-financial reward system in the banking sector.

5.2.3 Research Objective 3: To Assess the Effect of Extrinsic Rewards (Remuneration, Bonus, Salary and Promotion) in Organization Performance

The findings of this research revealed that the majority of the employees are not a happy with level of salary increment they get, although they are satisfied with the bonus level. Also employees were satisfied with the way promotion is being carried out at the bank. However, the study indicated that work performance would substantially increased when there is frequent salary increase, annual bonus level are increased and performance-based promotion are implement in the respective banks.

5.2.4 Research Objective 4: To Assess the Effect of Intrinsic Rewards (Praise and Recognition) on Organization Performance in Commercial Banks of Mwanza City

The research revealed that the presence of intrinsic rewards such as praise and employee recognition motivates workers and subsequently improves their work performance. Workers recognition had more effect on workers motivation and performance compared to the annual family day. However, informal recognition through use of words such as “ thank you”, well done” and “you are a star in the organization” showed to be a powerful motivation tool when correctly and frequently used on individuals as well as teamwork as majority of the employees indicated that

they would be motivated by them and also improve workers' performance. Thus, these seemingly little things have a much greater impact on motivating employees for higher performance than extrinsic rewards and their impact need to be recognized in the stressful work environment such as commercial banks.

5.3 Conclusion

The importance of reward system in day-to-day performance of workers' duties cannot be over emphasized especially when it comes to being rewarded for job done. Human performance of any sort is improved by increased motivation. From the results of this study, it can be concluded that bank workers reward system matters a lot and should be a concern of the bank and employees. The results of this study indicated that workers place a great value on different rewards given to them by their employees (commercial banks). The current system at the commercial banks is not sufficient enough to consistently motivate workers.

The study also found that when, both financial and non financial rewards are present at workplace, employees are motivated and so their job performance is improved and those efforts are reflected in the overall organisation performance. In absence of adequate reward, workers would tend to express their displeasure through poor performance and non- committed to their jobs. The study further highlighted that appropriate and consistent rewards to employees not only raise their motivation to work harder but also improves overall organization performance.

In brief, this study has demonstrated that intrinsic rewards (social recognition and appreciation) and extrinsic rewards (salary, bonus and performance promotion) affect

on employee and organisation performance in commercial banks. The study agrees with previous study by Aktar, Sachu & Ali (2012) who found that each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance in commercial banks of Bangladesh.

5.4 Recommendations

This study uncovered some areas of concern that require attention of various stakeholders in the commercial banks. Next are recommendations to address those concerns. The research revealed that the present salary level offered to employees of commercial banks is very low and employees are not satisfied. This has led to low workers' motivation and employee turnover.

The HRM department in conjunction with senior management and Trade unions should revise the current salary scale in line with prevailing economic environment and set an appropriate and competitive salary scale. This will not only motivate employees but also increase employees' performance and reduce employees' turnover.

The research revealed that bonuses are given to managers only and not ordinary employees this has generated discontentment and demotivation of employees as they see organization performance as collective action. The Human Resource Department (HRD) in conjunction with senior management should develop innovative bonus plan that also recognizes the efforts of non-managerial staff. This will not only motivate the employees to work harder during the year but will also bring harmony in the organization and encourage team work and overall greater performance in the

organization.

The study revealed that current reward system especially remuneration in the surveyed commercial banks in Mwanza are motivating workers enough. The HRD of the commercial department in conjunction with the senior management should develop appropriate incentive plan of a mix of extrinsic and intrinsic rewards that will encourage workers to be purposeful and improve their performance.

5.5 Suggested Areas for Future Research

This research examined the effort of reward systems on works performance in commercial banks in Mwanza. There is need for conducting same study in other cities/ towns in Tanzania on variety of situations before generalization.

This study was essentially quantitative and there is a need of doing qualitative study to uncover the real reasons for low motivation in the banks and determine appropriate reward systems in banking sector. There is need also to examine the importance employee's press on intrinsic and extrinsic rewards among bank workers.

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APPENDICES

Appendix 1: Questionnaire (English Version)

Dear Respondents

This questionnaire aims at collection of information for the study concerning the impact of rewards on organization Performance specifically on commercial banks organization in Mwanza region.

This study is conducted as a requirement of research proposal to be submitted in the faculty of Business Management for the partial fulfillment of the Master degree in Human Resource Management (MHRM) of Open University of Tanzania. The outcome of this research will be alert to the commercial banking management to appropriately design the system of rewards that will adequately influence organization performance.

The purpose of this questionnaire is to request you to express your opinion/views about the impact of rewards in organization performance in commercial banks in Mwanza region. All these information are clearly demanded for academic purposes and not otherwise hence feel free when you fill the questionnaire and the information that you provide will be treated as confidential.

Thank you for your assistance

JESCA KIKOITO.

MHRM Candidate, The Open University of Tanzania

Mobile No: 0756 995385/0787 613007

QUESTIONNAIRE FOR COMMERCIAL BANKS MIDDLE STAFF

Instructions

Please answer all the questions by selecting the option that suit best. Also more comments where applicable.

PART ONE: Demographic Data

Tick only one appropriate answer.

1. Gender of respondent

Male

Female

2. Age of the respondents

Below 25 years

25-35 years

35- 55 years

Above 55

3. Which Level of education do you possess?

Certificate

Diploma

-
-
- First Degree
- Masters Degree
- Others Specify.....

Objective one. To determine the reward system currently used in commercial Banks

RQ 1 What are reward system currently used in commercial Bank?

(a) Financial (extrinsic) rewards

(i) Which of the following does your bank reward?

Salary

Bonus

Commission

Allowance

Other (Please specify)

(ii) Are you satisfied with the current level of financial rewards?

- Very satisfied
- Satisfied
- Not sure/ neutral
- Dissatisfied
- Strongly dissatisfied

(b) None financial intrinsic rewards

(i) Which of the following non-financial rewards are used by your bank?

Praise from your boss

Formal recognition (such as certificate, employee of the month)

Informal recognition

(Thank you note, part on the bank

Job allowance

Sent out for a conference / workshop / seminar

Fucity day out

End of the year social part

Other (Please specify)

(ii) Are you satisfied with the current level of non -financial rewards?

Very satisfied

Satisfied

Neutral

Dissatisfied

Strongly dissatisfied

Objective Two: To determine employees view of reward system used by commercial Banks

RQ 2: The current reward system offered at your bank motivate you to perform the work diligently?

	Statements	1	2	3	4	5
	Employee views on the rewards system used by commercial bank	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
	Financial Rewards					
1	Salary is excellent					
2	Bonus above competitors					
3	Commission is excellent					
	Non-financial Rewards					
1	Recognition is given to good performs					
2	Praise for excellent performance					
3	Formal praise (Certificate)					

Objective Three: To assess the effect of extrinsic rewards (Remuneration, bonus, salary and promotion) in organization performance

RQ3: What are the effects of extrinsic rewards (Remuneration, bonus, salary

and promotion) on organization performance?

Please indicate the extent you agree or disagree with each of the following statement using the given scale

No	Statements	1	2	3	4	5
		Agree	Strongly agree	Neutral	Disagree	Strongly disagree
1	Frequency of increase in salary level.					
2	When I get a bonus increases my job performance increases					
3	When I'm promoted by my employer it really motivates me to work harder during the year					
4	When I'm better remuneration it increase my job performance					

RQ4: What are the effects of intrinsic Rewards (Praise and Recognition) on organization performance?

No	Statements	1	2	3	4	5
	Intrinsic Rewards for Organization Performance	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Praise for a job well done from my supervisor encourage me to perform my job better					
2	When I get formal recognition such as certificate of employee after month, certificate of good customer service my job performance increases					
3	A family day offered by the bank to employees really motivates us to work harder during the year					
4	Informal recognition (Such as thank you, very done, you are a star) motivates me to improve my performance					
5	Overall non-financial (intrinsic) rewards encourages employees to improve bank performance					

PART III GENERAL INFORMATION

26. What other comments can you make about the effect role of MFIs on growth of MSEs? Write your comments below?

Thanks you**Appendix 2: Interview Guide –To Management**

My name is Jesca Kikoito, a student of Open University of Tanzania pursuing a Masters Degree in Human Resources Management (MHRM) am carrying out research on reward and performance in commercial banks in Mwanza. City. I am currently conducting interview with bank employees.

This interview is a part of my Master thesis, and your kind help is very important for the successful completion of this research project. Your responses to questions in this interview will be anonymous and data will be combined and analyzed as a whole.

Your participation in the study will be greatly appreciated. May I now commence the interview

Thank in advance

1. Please tell me a story of reward systems you use or get in your bank.
2. What form of intrinsic rewards do you use in your bank?

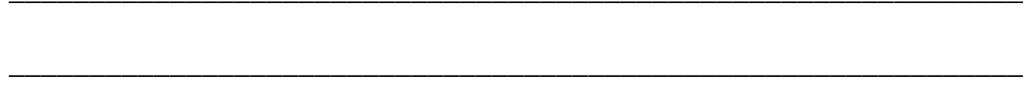
3. What form of extrinsic rewards do you use in your bank?

4 What do you think are the effects of extrinsic rewards (Remuneration, bonus, salary and promotion) on organization (bank) performance in Mwanza city?

4. What do you the effect of Intrinsic Rewards (praise and recognition) on organization (banks) performance in Mwanza city

5. What do you suggest to be the best means of bringing about high job/organisation performance in commercial banks in Mwanza like is one?

6. What other comments can you make about the use of extrinsic and intrinsic rewart for improving organisation performances of commercial banks in Mwanza?



Thank you for your time and assistance

