THE ROLE OF FINANCIAL AND NON-FINANCIAL INCENTIVES ON EMPLOYEE PERFORMANCE IN NIC ASIA BANK AND GLOBAL IME BANK

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Degree of Masters of Business Studies

by

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "The Role of Financial and Non-financial Incentives on Employee Performance in NIC ASIA Bank and Global IME Bank". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

Kritika Sharma

03-02-2021

Report of Research Committee

Ms. Kritika Sharma has defended research proposal entitled "The Role of Financial Incentives and Non-Financial Incentives on Employee Performance in NIC Bank and Global IME Bank" successfully. The Research committee has registered the dissertation for further progress. It is recommended to carry out the work as per and submit the thesis for evaluation.

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We have examined the dissertation entitled "The Role of Financial Incentives and Non-Financial Incentives on Employee Performance in NIC ASIA Bank and Global IME Bank" presented by Ms. Kritika Sharma for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Abbreviations

ANOVA: Analysis of Variance

ATM : Automated Teller Machine

EP : Employee Performance

FIN : Financial Incentives

HR : Human Resource

NF : Non-financial Incentives

Sig. : Significance

SOP : Standard Operational Procedure

SPSS : Statistical Package for Social Sciences

UAE : United Arab Emirates

Abstract

The productivity of the organization depends on the performance of the employees. The performance of an employee depends on the strength of employee incentive schemes used in an institution. The main objective of this research is to study the effect of incentives and motivation on employee performance at NIC ASIA Bank and Global IME Bank Ltd. It aims to examine the motivational factors that helped banks to grow, and to identify the parameters that have strong influence on employee performance. Therefore, a research is conducted based on the quantitative analysis by taking the opinion of the banks employees. The questionnaire is designed to gather information on the influence of incentives (independent factor) on employee job performance (dependent factor).The target populations for this research were 50 employees of each bank, chosen randomly. The primary data collected from both the banks were analyzed using the statistical analysis software, SPSS. With the help of this analyzing tool, various statistical analyses, such as mean, median, mode, standard deviation, variance, ANOVA-test, correlation, regression, were carried out. The findings revealed that employee performance contributes directly to the performance of the company and the influence of financial and non-financial incentives have a pivotal role into it.

Keywords: Employee performance, financial incentives, non-financial incentives, motivation.

CHAPTER I

INTRODUCTION

1.1. Background of the study

Performance management system is the systematic approach to measure the performance of employees. It is a process through which the organization aligns their mission, goals and objectives with available resources (e.g. Manpower, material, etc.), systems and set the priorities (Board, 2017).

The competency, skills and knowledge gaps are also identified through this process which can be improved by providing guidance, trainings, coaching and mentoring to employees or teams at different levels and designations. It optimizes the results through a proper channel and process that reduces the conflicts and grievances among teams or employees.

The performance appraisal policy (Board, 2017), one of the ways to improve growth of an organization, ensures that the weight to performance should be appropriately given and need to perform should be developed among the employees. The performance review policy is a way to convey to the employees that the company appreciates their hard work and dedication towards work. Performance management policy is also considered as a motivational tool used by the company to make sure that employees use their full potential to perform. The performance management policy example illustrates the process and components of employee performance review policy. It includes the performance management policy template, which consists of all the rules and regulations that should be followed by the employees while participating in the performance review. The policy provides that review of the performance is a fundamental right of employees, and managers should be fairly executing the performance review process.

This process can be applied to single department/function or to whole organization. It aims to continuously monitor and measure the performance standards against the desired goals and objectives. This will help to identify the motivational factors that will improve the employee performance.

NIC ASIA Bank is one of the largest private sector commercial banks in the country in terms of capital base, balance-sheet size, number of branches, ATM network and customer base. The Bank has 293 branches, 55 extension counters, 41 branch less banking and 319 ATMs across Nepal with a network covering all major financial centers of the country (NIC, 2019). It is the fastest growing bank as of now and has been awarded as, Banker of the Year 2007 and 2013 by The Banker, Financial Times, UK. NIC ASIA Bank has its antecedents in NIC Bank which was established on 21st July 1998 and was rechristened as NIC ASIA Bank after the merger of NIC Bank with Bank of Asia Nepal on 30th June 2013. This was a historic merger in the annals of the Nepalese financial landscape as the first of its kind merger between two successful commercial banks in the country. Today, NIC ASIA has established itself as one of the most successful commercial banks in Nepal. The Bank strongly believes in Meritocracy, Transparency, Professionalism, Team spirit and Service Excellence. These core values are internalized by all functions within the Bank and are reflected in all actions the Bank takes during its business.

Global IME Bank, on the other hand, has emerged after successful merger of Global Bank Ltd (an A-class commercial bank), IME Financial Institution (a C-class finance company) and Lord Buddha Finance Ltd. (a C-class finance company) in year 2012. Two more B-class development banks (Social Development Bank and Gulmi Bikas Bank) merged with Global IME Bank Ltd in year 2013. Later, in the year 2014, Global IME Bank made another merger with Commerz and Trust Bank Nepal Ltd. (an A-class commercial bank). During 2015-16, Global IME Bank Limited acquired Pacific Development Bank Limited (a B-Class Development Bank) and Reliable Development Bank Limited (a B-Class Development Bank). During 2019-20, Global IME Bank Limited acquired Hathway Finance Limited (a C-class finance company) and merged with Janata Bank Nepal Limited (an A-class commercial bank).The bank is now operating 259 branches, 42 extension and revenue collection counters and 218 Branchless Banking facilities spread throughout Nepal. All of the banks' branches have been established as full service outlets that offer a large range of banking services to its customers. The bank also operates 234 ATMs throughout the country strategically placed for the convenience of customers. It has been conferred with The

Bank of the Year Award 2014 for Nepal by the Bankers Magazine (Publication of the Financial Times, UK), Best Internet Bank 2016-Nepal by International Finance Magazine, London and Best Employer Award 2018 by World HRD Congress, India (Global, 2020).

There are no such reports to date on what is the underlying reason or factors that led to such an expansion of the network and the profitability, besides financial transactions. It is therefore, intended to study whether the motivation and rewards to the employees is the main reason for the profitability of the bank that aided to establish as one of the most successful commercial banks in Nepal.

1.2. Statement of the problem

Research problem is the gap between the actual state and desired state. A research gap is defined as a topic or area for which missing or insufficient information limits the ability to reach conclusion for a question. A research question is an answerable inquiry into a specific concern or issue. It is an initial step in a research project after we have an idea of what we want to study. It is the fundamental core of a research project. It is the ground beneath the foundation. It is what everything in a research project is built on. It helps to specify the issue or concern of the study and guides all stages of inquiry, analysis, and reporting. It is useful in the formulation of the hypothesis of the research.

The productivity of the organization depends on the performance of the employees. The performance of an employee depends on the strength of employee incentive schemes used in an institution. An employee incentive is given accordingly, to encourage the behavior and work done. The psychological literature on employee motivation states that motivational incentives can produce better employee performance. In essence, few studies are supported by an explanation of how incentives in workplace affect employee performance (Torrington, 2009).

One of the key factors that boost employee performance could be the effect of incentives offered to them. Such incentives could be in the form of facilities, fringe benefits, or/and annual bonus, etc. This study sought to fill the research gap between the employee performance and the company's growth, and is directed towards answering the following question.

1. Is there any significant difference on financial incentives, non-financial incentives and employee performance across bank employees in NIC ASIA and Global IME Bank with respect to age group?
2. What is the relationship of financial incentives, non-financial incentives and employee performance in NIC ASIA Bank and Global IME Bank?
3. What is the impact of financial incentives, non-financial incentives on employee performance in NIC ASIA Bank and Global IME Bank?

1.3. Objective of the study

The main purpose of this research is to study the effect of incentive and motivation on the employee performance of NIC ASIA Bank and Global IME Bank. The specific objectives of the research work are:

1. To analyze the difference on financial incentives, non-financial incentives and employee performance across bank employees in NIC ASIA and Global IME Bank with respect to age group,
2. To examine the relationship of financial incentives, non-financial incentives and employee performance in NIC ASIA Bank and Global IME Bank,
3. To identify the impact of financial incentives, non-financial incentives and employee performance in NIC ASIA Bank and Global IME Bank.

1.4. Research hypothesis

The study was carried out based on following hypotheses. With the help of hypotheses, the study was able to analyze the role of incentives on employee performance in NIC ASIA and Global IME Bank.

H_{01}: There is no significant mean difference on the financial incentives across bank employees in NIC ASIA and Global IME Bank with respect to age group.

H_{02}: There is no significant mean difference on the non-financial incentives across bank employees in NIC ASIA and Global IME Bank with respect to age group.

H_{03}: There is no significant mean difference on the employee performance across bank employees in NIC ASIA and Global IME Bank with respect to age group.

H_{04}: There is no significant relationship of influence of financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.

H_{05}: There is no significant relationship of influence of non-financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.

H_{06}: There is no significant impact of influence of financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.

H_{07}: There is no significant impact of influence of non-financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.

1.5. Rationale of the study

The study is aimed at analyzing the role of financial and non-financial incentives on employee performance of NIC ASIA Bank and Global IME Bank. The findings of the study will help banks to increase the profitability by identifying the motivating factor affecting employee performance. The study may further push the concern stakeholders in revising the existing HR policies, norms, and SOPs in order to create conducive working environment within the banks. The significances of the study are:

1. This study will help banks to increase the profitability by identifying the motivating factor affecting employee performance.
2. This study may further push the concern stakeholders in revising the existing HR policies, norms, and SOPs in order to create conducive working environment within the banks.
3. This study will be useful for the researchers who would like to study on the subject related to incentives or employee performance.

1.6. Limitations of the study

Following are the major limitations of the study:

1. Study has been conducted in a limited staffs of the banks, with the assumption of representing whole population. However, the findings may not generalize whole banking sector.

2. Choice of independent variables was limited to the previous studies conducted and its findings.
3. Study is conducted in a limited time period.
4. Validity of the study depends on the information provided by the respondents.

1.7. Chapter plan

This dissertation is divided into five main chapters; introduction, review of literature, research methodology, results and discussion, summary and conclusion, followed by references and the annexes. First chapter deals with the background of the study, statement of the problem, objective of the study, research hypothesis, rationale of the study, limitations of the study and the chapter plan of the study. Second chapter contains theoretical review, and empirical review. The third chapter deals with research framework and definition of the variables, research design, population and sample, and sampling design, nature and sources of data, and the instrument of data collection, and the method of analysis. The Fourth chapter presents the analysis of data and discussion in the form of various tables, and the fifth chapter is about summary and conclusion. Finally, at the end of thesis extensive references and annexes are presented.

CHAPTER II

REVIEW OF LITERATURE

This chapter reviews the work of previous researchers, and in so doing, assures the reader that the work has been well conceived. The literature review surveys scholarly articles, books, and other sources relevant to a particular area of research. The review gives a theoretical base for the research and helps the author to determine the nature of the research. It also summarizes the empirical review of the results of the previous work in the related area of research. It is assumed that by mentioning a previous work in the field of study, that the author has read, evaluated, and incorporated that work into the work at hand. It guides the researchers in determining the various variables under the study. It aids in finding the areas needing additional study in the chosen research topic.

2.1. Theoretical review

The term employee performance signifies individuals work achievement after exerting required effort on the job which associated through getting a meaningful work, engaged profile, and compassionate colleagues/employers around (Hellriegel, Jackson, & Slocum, 1999; Karakas, 2010). It is important for the organizations to have information on performance, which will enable organization to know whether they are improving, deteriorating or stagnant. Also, it enables organizations to adjust with a view to improving on their services for survival and growth (Boyne, Farrell, Law, Powell, & Walker, 2003). According to Donohoe (2019) employee performance relates to how well workers can conduct their required job duties. Evaluating performance is an easy way to pinpoint the need for additional training and mentoring to improve your workforce. Anitha (2013) states that employee performance refers to employees' monetary or non-monetary result which is absolutely connected with the performance and success.

Employee performance is an important aspect of the organization, which, determines how much the organizational growth increases or decreases. Incentives is one of the means through which organization motivates it employees to encourage them and increase their performance (Paillé, 2009).

Earlier findings have suggested for deploying lucrative incentive schemes for motivating the employees toward meaningful job participation (Friedman & Sunder, 1994; Roth, 1995; Smith, 1991; Sprinkle, 2000). Various organizations use incentives to compensate and reward performance of employees who perform more than expectation (Chepkemoi, 2018). At the same time, there are sufficient pragmatic evidences showing that financial offers have varying effects and may not be of much significance for escalating employee performance (Camerer & Hogarth, 1999; Gupta & Shaw, 2014).

There are five underlying theories of employee performance which are described below.

2.1.1 Herzberg's two-factor theory

The two-factor theory of motivation, also known as dual-factor theory or motivation-hygiene theory was developed by psychologist Frederick Herzberg in the 1950s, by analyzing the responses of 200 accountants and engineers who were asked about their positive and negative feelings towards their work. According to Herzberg, there are some job factors that result in satisfaction while there are other job factors that prevent dissatisfaction. Herzberg found the opposite of Satisfaction is No Satisfaction and the opposite of Dissatisfaction is No Dissatisfaction (Juneja, 2020).

Motivator factors – Simply put, these are factors that lead to satisfaction and motivate employees to work harder. According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers. These are factors involved in performing the job. Employees find these factors intrinsically rewarding. The motivators symbolized the psychological needs that were perceived as an additional benefit. Examples might include enjoying the work, feeling recognized and career progression, sense of achievement, responsibility.

Hygiene factors – Hygiene factors are those job factors which are essential for existence of motivation at workplace. These do not lead to positive satisfaction for long-term. But if these factors are absent or if these factors are non-existent at workplace, then they lead to dissatisfaction. In other words, hygiene factors are those factors which when adequate/reasonable in a job, pacify the employees and do not make them dissatisfied. These factors are extrinsic to work. Hygiene factors are also called as dissatisfiers or maintenance factors as they are required to avoid dissatisfaction. These factors describe the job environment/scenario. The hygiene factors symbolized the physiological needs which the individuals wanted and expected to be fulfilled. These factors can lead to dissatisfaction and a lack of motivation if they are absent. Examples include salary, company and administrative policies, fringe benefits, physical working conditions, status, relationships with managers and co-workers, job security.

According to Herzberg's findings, while motivator and hygiene factors both influenced motivation, they appeared to work completely independently of each other. While motivator factors increased employee satisfaction and motivation, the absence of these factors did not necessarily cause dissatisfaction. Likewise, the presence of hygiene factors did not appear to increase satisfaction and motivation but their absence caused an increase in dissatisfaction. Therefore, this theory implies that for the happiest and most productive workforce, one need to work on improving both motivator and hygiene factors.

2.1.2 Maslow's hierarchy of needs

The hierarchy of needs theory was coined by psychologist Abraham Maslow in his 1943 paper A Theory of Human Motivation. The crux of the theory is that individuals' most basic needs must be met before they become motivated to achieve higher level needs. According to Maslow, these needs can create internal pressures that can influence a person's behavior (Mark, 2019).

<u>Physiological</u> – are those needs required for human survival such as air, food, water, shelter, clothing and sleep. As a manager, one can account for the physiological needs of his/her employees by providing comfortable working conditions, reasonable work hours and the necessary breaks to use the bathroom and eat and/or drink.

<u>Safety</u> – include those needs that provide a person with a sense of personal security, financial security, good health and protection from accidents, harm and their adverse effects. As a manager, one can account for the safety needs of his/ her employees by providing safe working conditions, secure compensation (such as a salary) and job security, which is especially important in a bad economy including personal and financial security and health and wellbeing.

Love/belonging – also called social needs, refer to the need to feel a sense of belonging and acceptance. Social needs are important to humans so that they do not feel alone, isolated and depressed. Friendships, family and intimacy fulfill social needs. As a manager, you can account for the social needs of your employees by making sure each of your employees know one another, encouraging cooperative teamwork, being an accessible and kind supervisor and promoting a good work-life balance.

Esteem – refer to the need for self-esteem and respect, with self-respect being slightly more important than gaining respect and admiration from others. As a manager, one can account for the esteem needs of his/her employees by offering praise and recognition when the employee does well, and offering promotions and additional responsibility to reflect ones belief that they are a valued employee. It is the need to feel confident and be respected by others.

Self-actualization – describe a person need to reach his or her full potential. It is the desire to achieve everything one possibly can and become the most that one can be. While I might have the need to be a good parent, you might have the need to hold an executive level position within your organization. Because this need is individualized, as a manager, you can account for this need by providing challenging work, inviting employees to participate in decision-making and giving them flexibility and autonomy in their jobs.

All of the needs are structured into a hierarchy and only once a lower level of need has been fully met, would a worker be motivated by the opportunity of having the next need up in the hierarchy satisfied. For example a person who is dying of hunger will be motivated to achieve a basic wage in order to buy food before worrying about having a secure job contract or the respect of others.

A business should therefore offer different incentives to workers in order to help them fulfill each need in turn and progress up the hierarchy. Managers should also recognize that workers are not all motivated in the same way and do not all move up the hierarchy at the same pace. They may therefore have to offer a slightly different set of incentives from worker to worker. According to the hierarchy of needs, one must be in good health, safe and secure with meaningful relationships and confidence.

2.1.3 Hawthorne effect

The Hawthorne effect was first described by Henry A. Landsberger in 1950 who noticed a tendency for some people to work harder and perform better when they were being observed by researchers (Point, 2020).The Hawthorne Effect is named after a series of social experiments on the influence of physical conditions on productivity at Western Electrics factory at Hawthorne, Chicago in the 1920s and 30s.The researchers changed a number of physical conditions over the course of the experiments including lighting, working hours and breaks. In all cases, employee productivity increased when a change was made. The researchers concluded that employees became motivated to work harder as a response to the attention being paid to them, rather than the actual physical changes themselves.

The Hawthorne effect studies suggest that employees will work harder if they know they are being observed. Showing employees that we care about them and their working conditions may also motivate them to work harder. Furthermore, one needs to encourage employees to give feedback and suggestions about their workspace and development.

2.1.4 Expectancy theory

Expectancy theory is a motivation theory first proposed by Victor H. Vroom of the Yale School of Management in 1964 (Vroom, 1995).It explains the processes that an individual undergoes to make choices about the mental processes regarding choice, or choosing. Expectancy Theory proposes that people will choose how to behave depending on the outcomes they expect as a result of their behavior. In other words, we decide what to do base on what we expect the outcome to be. At work, it might be that we work longer hours because we expect a pay rise. However, Expectancy theory also suggests that the process by which we decide our behaviors is also influenced by how likely we perceive those rewards to be. In this instance, workers may be more likely to work harder if they had been promised a pay rise than if they had only assumed they might get one. Expectancy theory is based on three elements:

Expectancy – is the belief that increased effort will lead to increased performance. In other words, if you set goals for your team to reach, they should believe that working hard is going to allow them to reach those goals successfully. There needs to be a direct correlation between effort and success with regard to performance, i.e., if I work harder, then it will be better. It is affected by the things, such as having the right resources available (e.g. raw materials, time), right skills to do the job, and having the necessary support to get the job done (e.g. supervisor support, or correct information on the job).It is the faith that your effort will result in your desired goal. This is based on your past experience, your self-confidence and how difficult you think the goal is to achieve.

Instrumentality – is the belief that if you perform well that a valued outcome will be received. The degree to which a first level outcome will lead to the second level outcome, i.e. if I do a good job, there is something in it for me. This is affected by the things, such as clear understanding of the relationship between performance and outcome, trust in the people who will take the decisions on who gets what outcome, and transparency of the process that decides who gets what outcome. It is the faith that you will receive a reward if you meet performance expectations.

Valence – the value you place on the reward. It is the emotional orientation people hold with respect to outcomes [rewards].The depth of the want of an employee for extrinsic [money, promotion, time-off, benefits] or intrinsic [satisfaction] rewards. Management must discover what employees' value. It is the importance that the individual places upon the expected outcome. For the valence to be positive, the person must prefer attaining the outcome to not attaining it. For example, if someone is mainly motivated by money, he or she might not value offers of additional time off.

The three elements are important behind choosing one element over another because they are clearly defined: effort-performance expectancy (E>P expectancy) and performance-outcome expectancy (P>O expectancy).E>P expectancy: our assessment of the probability that our efforts will lead to the required performance level. P>O expectancy: our assessment of the probability that our successful performance will lead to certain outcomes.

Therefore, according to Expectancy theory, people are most motivated if they believe that they will receive a desired reward if they hit an achievable target. They are least motivated if they don't want the reward or they don't believe that their efforts will result in the reward. This theory emphasizes the needs for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients.

Vroom viewed that employees consciously decide whether to perform or not at the job. This decision solely depended on the employees' motivation level which in turn depends on three factors of expectancy, valence and instrumentality. The key here is to set achievable goals for your employees and provide rewards that they actually want. Rewards don't have to come in the form of pay rises, bonuses or all-expenses paid nights out. Praise, opportunities for progression and employee of the month style rewards can all go a long way in motivating your employees.

2.1.5 Three-dimensional theory of attribution

Attribution Theory explains how we attach meaning to our own, and other peoples' behavior. There are a number of theories about attribution. Bernard Weiner's Three-Dimensional theory of attribution assumes that people try to determine why we do what we do. This theory relies heavily on cause and effect, motivation, and human behavior. According to Weiner, the reasons we attribute to our behavior can influence how we behave in the future. For example, a student who fails an exam could attribute their failure to a number of factors and it's this attribution that will affect their motivation in the future. Weiner theorized that specific attributions (e.g. bad luck, not studying hard enough) were less important than the characteristics of that attribution. According to Weiner, there are three main characteristics of attributions that can affect future motivation (Mark, 2019).

Stability – how stable/unstable is the attribution? For example, if the student believes they failed the exam because they were not smart enough, this is a stable factor. An unstable factor is less permanent, such as being ill. According to Weiner, stable attributions for successful achievements, such as passing exams, can lead to positive expectations, and thus higher motivation, for success in the future. However, in negative situations, such as failing the exam, stable attributions can lead to lower expectations in the future.

Locus of control – was the event caused by an internal or an external factor? For example, if the student believes it's their own fault they failed the exam, because they are innately not smart enough (an internal cause), they may be less motivated in the future. If they believed an external factor was to blame, such as poor teaching, they may not experience such a drop in motivation.

Controllability – how controllable/uncontrollable was the situation? It directly relates to the individuals perception of control over the behavior, action, or situation. If an individual believes they could have performed better, they may be less motivated to try again in the future than someone who believes they failed because of factors outside of their control.

Weiner's Three-Dimensional theory of attribution has implications for employee feedback that will help to prevent the employees from attributing their failure to an innate lack of skill and see that success is controllable if they work hard or use different strategies. Praising employees for showing an improvement, even if the outcome was still not correct will also improve their performance. This way, we can encourage employees to attribute the failure to controllable factors, which again, can be improved upon in the future.

2.2. Empirical review

The review of empirical results on the previous studies/researches on employee performance and incentives are presented here to understand various factors and determinants that need to be considered. The summary of the major findings and recommendations of the related articles are presented in *Annex1*.

Ismail (2015) explained that organizations thrive through the instrumentality of people because they possess the required skills, knowledge and competencies needed for the execution of organizational strategies and planning. Hence, organization should entrench a competitive total remuneration package that consists of career incentives programs and various organizational benefits based on the principle of distributive justice. Furthermore, Ismail has recommended that management should build up an effective pay design and management systems in organizations and in order to achieve this goal openness in communication and employee participation in the pay design and management is suggested based on his research. In fact, his findings of the research work indicated that there is positive relationship between career incentives, and employee performance.

Hsu, Jiang, Klein, & Tang (2003) observed that there are five elements of incentives that entice employees which include salary, short term incentives, long term incentives, employee benefits and perquisites. Therefore, Hsu et.al recommended that organizations should frequently review employee attitudes about their career incentives and take advantage of the chance to determine their job attitudes. However, Nelson and Spitzer are of the view that although cash rewards are generally welcomed by employees; managers should never use this as a tool to motivate their employees to improve performance levels (Nelson and Spitzer, 2000). Should this happen, there is a chance that the essence of reward would be forgotten. The question that arises here is, if monetary incentives are incongruent on ones effort and performance, then what could be the other associated behavioral factors that aid in enhancing employee performance.

In fact, Condly, Clark, & Stolovitch (2003) investigated that incentives are designed to get the best performance from the employees and help retain their productivity. Therefore, organization considers a variety of ways to reward the employees for their exemplary work performance, organization need to consider using the best employee rewards to get the desired results. Incentives are instrumental towards motivation and performance.

Chepkemoi (2018) investigated effect of incentives on employee performance at Kenya forest service Uasin Gishu County. The study was guided by the Force-Field Theory of Change and Evolutionary Theory of Change. It adopted descriptive survey research design. It targeted all the employees at Kenya Forest Service in Uasin Gishu County which currently has 8 forest stations with a total population of 115 employees. Census method was used to get a sample size of 115 respondents. Questionnaires were used in collecting data. To test validity of the instruments, the instrument was given to supervisors and research experts. A pilot study was done in Nandi County to test for reliability. Split half method was used to test the reliability. A cronbach alpha of 0.72 was obtained which confirmed the reliability of the research instruments. Descriptive statistics (percentages, mean and standard deviation) was used to analyze data. The study findings indicated that incentives are essential in organizational performance. It recommended that Kenya forest service and other government institutions should embrace reengineering process in their systems of operations in order to improve on customer service, new values of teamwork and cooperation, reduced employee turnover which in turn results in improved organizational image.

Mamdani & Minhaj (2016) conducted a study 15 different banks of Karachi on the Effects of Motivational Incentives on Employees Performance. The variables considered for the study were level of job satisfaction, level of performance, efficiency, organizational productivity, employees' loyalty and professionalism. The sample size of the study was 154, and was based on random sampling. The study concluded that though incentives had impact on employees' performance; the employees were not loyal to their organizations and were willing to switch their jobs if better opportunities came their way. The study recommends that only monetary incentives were not enough. The capacity building programs should be initiated for the employees which will not only make their work challenging but will also increase commitment towards their organizations.

Fatah & Suhandini (2019) studied the effect of employee incentives and rewards on employee performance. The study is aimed at determining the effect of giving incentives to employee performance, giving rewards to employee performance and giving incentives and rewards to the performance of employees. This study used quantitative research methods, using saturated samples totaling 63 people. The results of the study obtained the consequences of giving incentives have a significant influence on employee performance, and giving rewards has a considerable impact on employee performance. Accordingly, providing incentives and rewards has a significant influence on employee performance with a coefficient of determination of 0.321, which can be interpreted that the variable giving incentives and rewards affects 32.1% of employee performance and other factors influence the remaining 67.9%.

Hameed, Ramzan, Zubair, Ali, and Arslan (2014) conducted a study at different banks of Pakistan, on Impact of Compensation on Employee Performance. The main objective of this study is to measure the impact of compensation, such as, salary, rewards on employee performance. It is found that compensation has positive impact on employee performance, based on the results of correlation, regression and ANOVA for the chosen variables.

Salah (2016) examined the influence of reward types (extrinsic, intrinsic, social and rewards mix) on employee performance in mining company of Jordan. Subjects for the study consisted of 308 workers which constituted 60% of the total target population of 513 people working for Unified Mining Companies located in the southern part of Jordan. Total of 308 self-designed questionnaires were distributed to employees on their job location; 268 questionnaires were returned and only 250 were suitable for statistical analysis. Both descriptive and inferential statistics were used for data analysis. The statistical tools were aligned with the objective of the research. For this purpose, frequency Tables, percentages, means and standard deviations were computed and substantively interpreted. Inferential statistics like Pearson product moment correlation coefficient (r) was used to determine if there is a significant relationship exist between independent variables (rewards types: Extrinsic, intrinsic, social and rewards mix) and dependent variable (employees performance). Analysis and interpretation were made at 0.05 level of significance. The findings indicated that there is a statistical significant relationship between rewards types and employees performance. The study concluded that management should have deep sense of commitment towards the issue of rewarding employees, if the performance levels have to be enhanced.

Naqbi, Yusoff, and Ismail (2018) conducted a study on The Effect on Incentive System on Job Performance Motivation as Mediator for Public Sector Organization for UAE. The main purpose of this research is to study the effect of motivation and incentive system on the job performance of public sector employees in UAE. The purpose of the research is also to illustrate to what extent incentives are used in the UAEs public service sector. To fulfill the objective of the research as well as to obtain real and reliable data, a research study was conducted at the Economic Development Department (EDD) in Al Sharjah. This research has adopted a quantitative approach to assess the effect of the incentive system in public sector in UAE on the job performance, and to identify the mediating effect of employees motivation in two dimensions (intrinsic and extrinsic) on the relationship between the incentive systems (monetary and tangible and non-monetary and intangible), and employees performance.

The outcome of the empirical analysis shows that incentives consist of three factors. The first factor is non-monetary incentives. It is found that the encouragement in work from managers motivates the employees to give better performance; the staff believes that the premium nature of work or risk encourages them to perform better but the employees are feeling secure and stable because of the retirement system of their service. It is found that the moral incentives are not less important than financial incentives; the employees agreed that the organizations should provide moral incentives for all employees who show good performance. However, the staffs are not sure about receiving appreciations from the managers in work, and the certificate of appreciation is important to motivate employees in any organization.

The second factor is monetary or financial incentives. The responses of participants in the survey reveal that the salary fills the basic needs of employees and bonus system is somehow fair. It is evident that the current bonus system is not satisfactory because the majority of respondents want to improve the bonuses system to add to the salary annually as well as the corresponding salary for employees drive them to improve their performance. Thus, the organization must give fair bonuses to employees while adopting a better system for incentives. In general, there is a general dissatisfaction with the current incentives system in the organization. The last factor of incentives is the Social Dimension. The staffs believe that the government incentive system is good and works to improve the performance of employees and the retirement law of U.A.E is fair, and one of the important findings is that the salary provides social guarantees to the employees and they feel that the social allowances for the wife and children are acceptable in U.A.E. Despite the jobs in U.A.E provide average incentives and benefits; most employees are looking forward to getting better salary, even though, the government of U.A.E provides a fair health insurance and appropriate services to the employees.

The statistical analysis reveals that motivation can be measured in three factors (intrinsic, extrinsic, and behavior). The first factor is intrinsic. It is found that the employees agree the promotion mechanisms in the government incentive system are appropriate and they suggest that the granting of career promotions has a positive impact on job performance. But there are few promotions based on efficiency and performance which reflects a negative sign of the current promotion system in the organization. Thus, employees want to change their career through competitions. There is a correlation between an employee's qualifications and experience and his/her degree. The employees believe that promotions based on the ministerial structure have contributed to the development of performance. The second factor is extrinsic. The employees believe that the reward system in the Incentive Act of U.A.E needs further improvement because employees confirm they rarely receive a reward for outstanding performance. The Direct Manager must recommend exceptional bonuses to his or her competent staff as well. Because of this, the respondents believe that the government reward system should promote better job performance.

Furthermore, the employees in this organization assure that lack of knowledge on how the incentives system and its mechanisms work. Bonuses are not distributed to those who deserve them. The third factor of motivations is behavior of the employees. It is found the employees are not satisfied because the managers and supervisors in this organization have been promoted fairly but the employees are not. The majority of career promotions give us merit and perseverance at work. Despite that, the employees believe that the system of outstanding promotions helps to improve the behavior of employees. But promotions by means of favoritism have a negative impact on their performance career. According to that, this study suggests granting bonuses should be given to those who show loyalty to the organization and give a high degree of performance. Finally, the employees are not sure that the immediate manager appreciates and appreciates their efforts at work. The empirical findings of this study show that motivation of employees plays a mediator role in the association between incentives system and job performance. A partial mediation relationship is occurred due to the indirect effect of motivations (mediator) on this relationship.

The empirical finding of this study indicates that job performance can be a measure of three factors (skills, knowledge, and productivity). The skills of an employee are a very important measurement. The respondents predict that the results of the annual performance assessment are the basic criteria for granting incentives and rewards. They believe that managers are interested in the results of the annual performance evaluation on the basis that it is a standard for reward and punishment. They have adequate skill to fulfill the tasks of my work and the senior management of the ministry associates the promotion grants with skills and ability to do the work, but employees need for training to improve their skills in work.

Furthermore, they are interested in the results of annual performance appraisal because it is considered an opportunity to receive rewards. With regard to knowledge of employees, the second measurement of job performance, it is found that employees are satisfied with their current information on the work and they see that those who fail to perform in their duties are punished by assessing their knowledge on the work. Thus, the organization must test employees' knowledge on the type of work on a regular basis in order that employees have adequate information to do complex tasks.

The result indicates that employees in this organization are capable to learn new details about their work, but training is still necessary for employees to enhance their knowledge of the work. Productivity is the third factor of job performance. Employees believe that the annual performance report is the main tool for granting incentives and rewards and they find that the results of the positive performance evaluation motivate and drive them to work efficiently. Accordingly, the employees can give better performance if get training. Many employees complain about doing unnecessary duties despite they are able to schedule their tasks in the work. Therefore, this organization needs to enhance the productivity of employees through motivations and adopting efficient incentives system.

Job performance is the dependent variable in this study. It is found that the incentives system is a strong predictor of job performance. It is possible to develop the performance of employees in the workplace through efficient incentivizes and strong motivation. The empirical finding of this study reveals a positive correlation and association between incentives system and job performance as well as between motivations and job performance.

While most of the studies of employee performance are based on incentives, Pradhan & Jena (2017) explored the concomitant areas for extending the scope of employee performance as a major domain of human resource (HR) effectiveness. They interviewed researchers and corporate practitioners regarding their understanding of performance at workplace. On the basis of literature and feedback from academicians and industry professionals, a conceptual framework along with 42-item instrument on employee performance was proposed for empirical validation. The instrument obtained empirical views from experts on its proposed dimensions and statements. The initial analysis of content validity ratio (CVR) of the instrument had resulted in 38 items having CVR value of 0.49 and above with 75 percent acceptability from expert analysis. The retained items were taken for field survey. In total, 361 executives from Indian manufacturing and service organizations responded to the 38-item employee performance scale. Exploratory factor analysis revealed three distinct factors of employee performance that constitute the new scale: task performance, adaptive performance, and contextual performance (TAC). Reliability study on the sample reported significant internal consistency on the total scale ($\alpha = 0.80$) along with the three subscales (α ranging from 0.80 to 0.91). The prescribed framework offers an inclusive understanding of the nature and subtleties of employee performance. It is proposed that, HR managers and organizational behavior (OB) practitioners must use the insights from the explored factors to create and maintain a better work environment. In applied perspective, the proposed instrument and its corresponding findings are expected to provide insights for designing organization-specific policies for improving employee performance.

Wickramasinghe & Dabere (2012) investigated the effect of performance-based financial incentives on work performance. The study hypothesized that the design features of performance-based financial incentive schemes themselves might influence individuals work performance. For the study, survey methodology was used and 93 technical-level employees who were subjected to a performance-based incentive scheme for at least two years in their firms responded. Regression analysis was used for data analysis. It was found that the design features of performance-based financial incentives schemes explain 51 percent of the variance in work performance. Six of the incentive scheme factors, including the goals of incentive scheme, employee participation in setting goals, incentive scheme type, and payout frequency have significant positive impact on work performance. However, the level of integration between incentive scheme and department/unit goals did not show significant impact on work performance.

Overall, the findings suggest that well-designed and carefully implemented incentive schemes have significant positive impact on work performance. With regard to the nature of goals of incentive scheme, all the five areas investigated are important for effective goal setting of incentive schemes. That is, the results suggest that goals set by the scheme should be clear and specific, challenging but achievable, relevant to the job profile, should accurately measure the effort in achieving work goals, and time period given to achieve the work goals should be fair.

Tripathi (2014) explored the influence of some part of motivational factors (Remuneration, Recognition and Incentives) on employees' performance. Subject for the study consisted of hundred employees of Devi Ahilya University, Indore, India. Data for the study were collected through a well-structured questionnaire delivered to the employees of the university. The study employed regression (*i.e., F-test and t-test*) and correlation analysis to test the hypotheses whether remuneration, recognition and incentives boost the job performance of employees. The findings of the study reveals that there exist strong positive relationship and significant effect of incentives, remuneration and recognition, on job performances, and that incentive motivational factor has the highest contribution to boost the job performance of an employees in Devi Ahilya University, Indore, India. Therefore, it is recommended that Devi Ahilya University, Indore, India should take into consideration the needs and feelings of their employees because a happy worker is a productive workers.

This study has confirmed the importance of motivational factors (remuneration, recognition and incentives) in getting the best performances from the employees and cannot be over emphasized especially when it comes to being given incentives and recognition for a job done. It is well known fact that performances of employees improve when there is an increase in motivational factors. From the findings of this study, it can be easily inferred that employee incentives, recognition and remuneration are matter a lot and should be a concerned to the employer so as to achieve total commitment from the employee.

Bonner & Sprinkle (2002) reviewed theories and evidence regarding the effects of (performance-contingent) monetary incentives on individual effort and task performance. The study provided a framework for understanding of these effects in numerous contexts of interest to accounting researchers and focused particularly on how salient features of accounting settings might affect the incentives-effort and effort-performance relations. The compilation and integration of theories and evidence across a wide variety of disciplines revealed significant implications for accounting research and practice. Based on the framework, theories, and prior evidence, the study developed and discussed numerous directions for future research in accounting that could provide important insights into the efficacy of monetary reward systems.

Cainarca, Delfino, & Ponta (2019) addressed the role of monetary incentives with regard to the performance of employees and organizations. The distribution of monetary incentives among employees in public administration had investigated. Specifically, the traditional approach of bureaucracy that pays a premium to each employee, based on the position hold, was compared with a merit approach which tends to recognize and reward individual contributions. A task advice centrality indicator and a value index had defined and used to study the performance of employees. The results showed a modification of individual behaviors, in line with the theoretical foundations and predictions formulated.

The study is one of the first attempts, in the public sector, to test the response behavior of employees (belonging to the same level) to the introduction of a merit-based incentive system that follows rank-order tournament logic. The management has disclosed transparently what the objectives of the incentive system are, trying as much as possible to ensure fairness in the evaluation criteria. The results have shown a modification of individual behaviors, in line with the theoretical foundations and with the predictions initially formulated. This occurred despite the use of an ordinal, and not cardinal system type, to compare the performance of individual employees. Employees do not have to compete only with themselves, but their performance will be evaluated in relation to the ones of others and the result of the comparison will be known only at the end. This study observed the results of the interaction between monetary incentives and employees performance for a cycle of application. Homans (1974) and other supporters of the theory of social exchange has suggested, using this system in the next period of evaluation increases employees responsiveness to incitation from managers. The primary objective of those who control the pay system design is to avoid the crystallization of the rank-order to discourage behaviors that tend to reduce the effort of individual employees. This has not happened in this case because there were 14.8% of employees who changed their incentive level of merit. A closer observation of what happened in the two years considered shows how those who saw a higher incentive level being confirmed decreased their performance more (on average). This is in line with the deprivation-satiation proposition, according to which the more frequently a person has received major rewards in the recent past, the less s/he will confer a value to any further reward. It was observed, a decrease in overall density of trade advisory. Performing a detailed analysis of the performance of the individual working groups, it was noted that as a high density of trade advisory is negatively connected to high inequality in the distribution of monetary incentives. In the long term, therefore, this system seems to inhibit collaboration among employees. This is in line with the claims of other scholars Shaw, Gupta, and Delery (2002); Shaw (2014) who argue that in environments that require another interdependence among workers, a low compression of levels of pay are preferable. Furthermore, it was underlined that the lack of group-reward logic may have played a decisive role in this outcome.

According to Dr. Lee (2015) delivering compassionate and coordinated care is a goal for all health care providers. Humans are not always consistent, though, both individually and collectively, and this is why everyone needs incentives to be at their best and to try to improve. Dr. Lee further explored what is most effective in regard to engaging and motivating physicians. While different approaches would work in different organizational cultures, financial incentives have their role in performance improvement. He concluded compassionate coordinated care should be a social norm and be pursued by all health care organizations.

Novianty & Evita (2018) studied the financial incentive as a bonus given to employees as a result of employee work motivation in the company. This research used approach of research method with the approach of the path analysis. Measurement of the research used questionnaires with a semantic differential scale, while the population in the study consisted of 43 employees. The result of the research showed that the dimension of the research variable was valid and the variable of financial incentives relationship had a positive effect on employee motivation.

CHAPTER III

RESEARCH METHODOLOGY

This chapter describes the steps taken to investigate a research problem that includes the research design, population of the study, sample design, data collection, and methods of data analysis. Since data processing is an important phenomenon, the chapter is aimed at explaining how the data is collected, and the statistical tools used to analyze the data.

3.1. Research framework and definition of the variables

The study on influence of incentives shall be performed identifying dependent and independent variables. In this research, Employee performance (Ep) is considered as a dependent variable while Influence of incentives (Ii) as an independent variable. However, in the research framework, independent variables, such as financial and non-financial incentives, moderating variable such as age, gender, education, etc., shall also be taken into consideration while analyzing the relation with employee performance. Research framework of this study is shown in figure below.

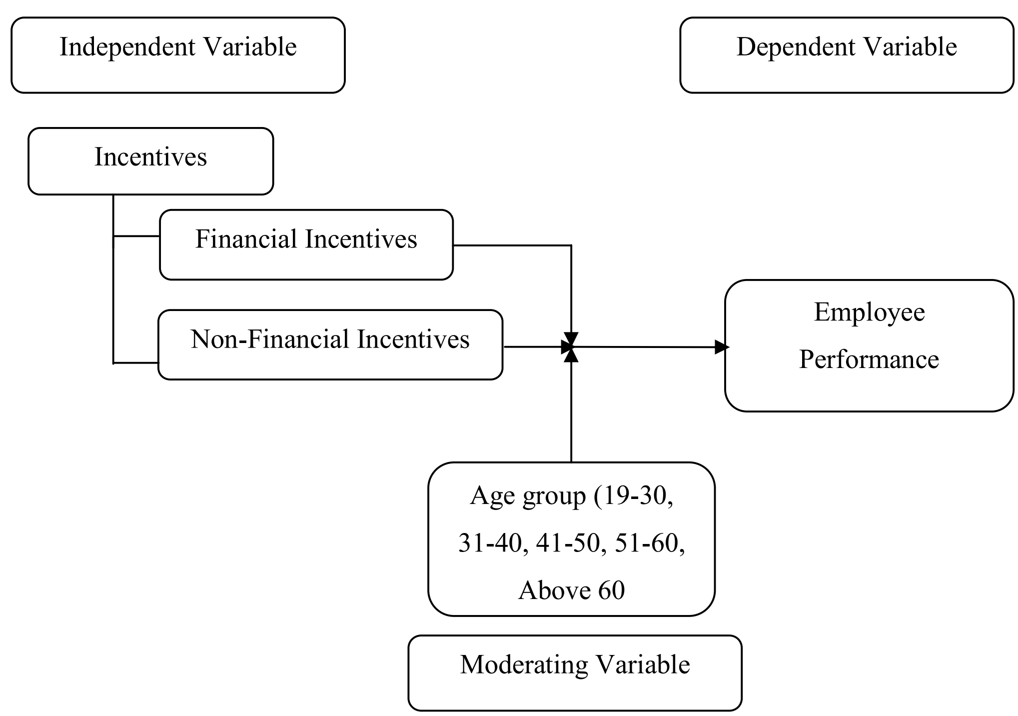

Figure1. Research framework

3.1.1 Incentives

An incentive is an object, item of value, or desired action or event that spurs an employee to do more of whatever was encouraged by the employer through the chosen incentive (Crowe, 2019).

Four kinds of incentives are available for employers to use at work that are as follows:

Compensation incentives - it may include items such as raises, bonuses, profit sharing, signing bonus, and stock options.

Recognition incentives - it includes actions such as thanking employees, praising employees, presenting employees with a certificate of achievement, or announcing an accomplishment at a company meeting.

Rewards incentives - it includes items such as gifts, monetary rewards, service award presents, and items such as gift certificates. An additional example is employee referral awards that some companies use to encourage employees to refer job candidates.

Appreciation incentives - it includes such happenings as company parties and celebrations, company paid family activity events, ice cream socials, birthday celebrations, sporting events, paid group lunches, and sponsored sports teams.

The incentive, as such, is a positive motivational influence on a person that helps improve his/her performance. Thus, it can be said that all the measures taken by the management to improve the performance of its employees are incentives. Based on the previous studies, it can be broadly classified as financial incentives and non-financial incentives (Kochitty, 2019).

3.1.1.1 Financial incentives

In today's socio-economic condition money has become a very important part of our lives. We need money to satisfy almost all our needs as it has purchasing power. Thus, financial incentives refer to those incentives which are in direct monetary form i.e. money or can be measured in monetary terms.

Financial incentives can be provided on an individual or group basis and satisfy the monetary and future security needs of individuals. The most commonly used financial incentives are:

Pay and allowances

Salary is the basic incentive for every employee to work efficiently for an organization. Salary includes basic pay, dearness allowance, house rent allowance, and similar other allowances. Under the salary system, employees are given increments in basic pay every year and also an increase in their allowances from time-to-time. Sometimes these increments are based on the performance of the employee during the year.

Bonus

It is a sum of money offered to an employee over and above the salary or wages as a reward for his good performance.

Productivity linked wage incentives

Many wage incentives are linked with the increase in productivity at individual or at group level. For example, a worker is paid 50 rupees per piece if he produces 50 pieces a day but if he produces more than 50 pieces a day, he is paid 5 rupees extra per piece. Thus, on the 51st piece, he will be paid 55 rupees.

Profit-sharing

Sometimes the employees are given a share in the profits of the organization. This motivates them to perform efficiently and give their best to increase the profits of the organization.

Retirement benefits

Retirement benefits like gratuity, pension, provident fund, leave encashment, etc. provide financial security to the employees post their retirement. Thus, they work properly when they are in service.

Stock options or co-partnership

Under the Employees Stock Option Plan, the employee is offered the ordinary shares of the company at a price lower than its market price for a specified period of time. These are non-standardized offers and shares are issued as a private contract between the employer and employee. These are generally offered to management as a part of their managerial compensation package.

Allotment of shares induces a feeling of ownership in the employees and they give their best to the company. Infosys, GoDaddy and The Cheesecake Factory are some of the companies that have implemented the scheme of the stock option.

Commission

Some organizations offer a commission in addition to the salary to employees for fulfilling the targets extremely well. This incentive encourages the employees to increase the client base of the organization.

Perquisites and fringe benefits

Several organizations offer perquisites and fringe benefits such as accommodation, car allowance, medical facilities, education facilities, recreational facilities, etc. in addition to the salary and allowances to its employees. These incentives also motivate the employees to work efficiently.

3.1.1.2 Non-financial incentives

Apart from the monetary and future security needs, an individual also has psychological, social and emotional needs. Satisfying these needs also plays an important role in their motivation. Non-financial incentives focus mainly on the fulfillment of these needs and thus cannot be measured in terms of money.

However, there are chances that a particular non-financial incentive may also involve the financial incentive as well. For example, when a person is promoted his psychological needs are fulfilled as he gets more authority, his status increases but at the same time, he has benefitted monetarily also as he gets a rise in salary. The most common non-financial incentives are:

Status

With reference to an organization, status refers to the position in the hierarchy of the organizational chart. The level of authority, responsibility, recognition, salary, perks, etc., determine the status of an employee in the organization.

A person at the top level management has more authority, responsibility, recognition and salary and vice-versa. Status satisfies the self-esteem and psychological needs of an individual and in turn, motivates him to work hard.

Organizational climate

Organizational climate refers to the environmental characteristics of an organization that are perceived by its employees about the organization and have a major influence on their behavior. Each organization has a different organizational climate that distinguishes it from other organizations.

Some of the factors that influence the organizational climate of an enterprise are organizational structure, individual responsibility, rewards, risk and risk-taking, warmth and support and tolerance and conflict. When the organizational climate is positive employees tend to be more motivated.

Career advancement opportunity

It is very important for an organization to have an appropriate skill development program and a sound promotion policy for its employees which works as a booster for them to perform well and get promoted.

Every employee desires growth in an organization and when he gets promotion as an appreciation of his work he is motivated to work better.

Job enrichment

It refers to the designing of jobs in such a way that it involves a higher level of knowledge and skill, a variety of work content, more autonomy and responsibility of employees, meaningful work experience and more opportunities of growth. When the job is interesting, it itself serves as a source of motivation.

Job security

Job security provides future stability and a sense of security among the employees. The employees are not worried about the future and thus work with more enthusiasm. Owing to the unemployment problem in our country, job security works as a great incentive for the employees. However, there is also a negative aspect of this incentive that employees tend to take their job for granted and not work efficiently.

Employee recognition programs

Recognition means acknowledgment and appreciation of work done by employees. Recognition in the organization boosts their self-esteem and they feel motivated. For example, declaring the best performer of the week or month, displaying their names on the notice board and giving them rewards, fall under the Employee recognition program.

Employee participation

Involving the employees in decision making regarding the issues related to them such as canteen committees, work committees, etc. also helps in motivating them and inducing a sense of belongingness in them.

Employee empowerment

Giving more autonomy and powers to subordinates also make them feel that they are important to the organization and in turn they serve the organization better.

3.1.2 Moderating variable

Moderating variable refers to a variable that can strengthen, diminish, negate, or otherwise alter the association between independent and dependent variables. It can also change the direction of this relationship. An important focus given to hypotheses testing is the analysis of the effect that the moderating variable, age group, exert on the direct influence of the independent variables to employee performance.

3.1.3 Employee performance

Employee performance refers to how your workers behave in the workplace and how well they perform the job duties you've obligated to them. Your company typically sets performance targets for individual employees and the company as a whole in hopes that your business offers good value to customers, minimizes waste and operates efficiently.

For an individual employee, performance may refer to work effectiveness, quality and efficiency at the task level. Your salesperson, for example, may be expected to complete a certain quota of calls to potential leads per hour with a specific portion of those resulting in closed sales. On the other hand, a production worker may have performance requirements for product quality and hourly output.

The specific metrics used to monitor employee performance will ultimately depend on the type of work your business does. However, there are some universal metrics to consider.

Businesses should monitor the quality of work, individual employee goals, and effectiveness of training and employee efficiency. Evaluating quality of work and efficiency helps you prevent expensive mistakes, makes it more likely that your employees meet deadlines and reduces wasted time, materials and effort. Evaluating the effectiveness of training and individual employee work goals will help you determine if employees are best equipped to perform their jobs and to offer guidance when needed.

Some more specific performance metrics that might be used depending on the type of business include number of product defects, number of errors, number of sales, number of units made, call handling time, first-call resolution, absenteeism rate (Donohoe, Employee Performance Definition, 2019).

3.2. Research design

The research design adopted in this research study was quantitative, based on the survey opinion of the employees of the NIC Asia Bank Ltd., and the Global IME Bank Ltd. Considering the research objective, descriptive cross-sectional survey was considered appropriate in order to analyze influence of incentives on employee performance at those banks. In addition to the statistical analysis, it was also intended to learn the profile of the respondents and their perception towards the bank facilities.

3.3. Population and sample, and sampling design

The population refers to the entire group of individuals or events of subject of interest from which samples can be drawn to investigate. The selected population for the study was employees of the banks, chosen randomly. The target populations for this research were 50 employees of each bank, age group ranging from 19 to above 60. Before the selection of the sample size and finalizing the questionnaire, sample test was conducted at both the banks, considering atleast 10% of the targeted population. Furthermore, convenience sampling was carried out to select the respondents because they are easily accessible.

3.4. Nature and sources of data, and the instrument of data collection

The study is based on primary data, which is questionnaire based. The primary data consist of semi-structured questionnaire, that is, the combination of demographic data and the structured part consisting of the influence of incentives, both financial and non-financial, on employee performance. Before administering the questionnaire, a sample test was performed at both the banks to validate and rationalize the questionnaire. The questionnaire administered is attached in *Annex 2*.

3.5. Methods of analysis

The primary data collected from both the banks were entered and analyzed using the statistical analysis software, SPSS, version-25 (Statistical Package for Social Sciences). With the help of this analyzing tool, various statistical analyses, such as correlation and regression, were carried out. The analyzed data was presented in tables, graphs, etc., wherever appropriate. Brief about the statistical analysis conducted were given below:

3.5.1 Mean

The average number found by adding all data points and dividing by the number of data points. There are many different types of mean, but usually when people say mean, that is about the arithmetic mean (Academy, 2020).

$$Mean\ (\bar{x}) = \frac{\sum \mathrm{f(x)}}{n}$$

where, x= Value of responses of each independent or dependent variable n= Number of responses

3.5.2 Median

The middle number found by ordering all data points and picking out the one in the middle (or if there are two middle numbers, taking the mean of those two numbers). The median is the middle point in a dataset—half of the data points are smaller than the median and half of the data points are larger.

$$Median\ (Md) = {}^{(\mathrm{n}+1)}\!/_{2}\ th\ term$$

where, n= Number of responses

3.5.3 Mode

The most frequent number - that is, the number that occurs the highest number of times. The mode is the most commonly occurring data point in a dataset. The mode is useful when there are a lot of repeated values in a dataset. There can be no mode, one mode, or multiple modes in a dataset.

3.5.4 Standard deviation

Standard deviation is a statistic that looks at how far from the mean a group of numbers is, by using the square root of the variance. The calculation of variance uses squares because it weighs outliers more heavily than data closer to the mean. This calculation also prevents differences above the mean from canceling out those below, which would result in a variance of zero.

Standard deviation is calculated as the square root of variance by figuring out the variation between each data point relative to the mean. If the points are further from the mean, there is a higher deviation within the date; if they are closer to the mean, there is a lower deviation. So the more spread out the group of numbers are, the higher the standard deviation (Hargrave, 2020).

$$SD\ (\sigma) = \sqrt{\frac{(x-\bar{x})^2}{n}}$$

where, x= Value of responses of each independent or dependent variable

$\bar{x}$= Mean value of responses of each independent or dependent variable

n= Number of responses

3.5.5 Variance

Variance (σ^2) in statistics is a measurement of the spread between numbers in a data set. That is, it measures how far each number in the set is from the mean and therefore from every other number in the set (Hayes, 2020). Variance measures variability from the average or mean. A large variance indicates that numbers in the set are far from the mean and from each other, while a small variance indicates the opposite. Variance can be negative. A variance value of zero indicates that all values within a set of numbers are identical. All variances that are not zero will be positive numbers.

3.5.6 ANOVA test

Analysis of variance (ANOVA) is an analysis tool used in statistics that splits an observed aggregate variability found inside a data set into two parts: systematic factors and random factors. The systematic factors have a statistical influence on the given data set, while the random factors do not. Analysts use the ANOVA test to determine the influence that independent variables have on the dependent variable in a regression study (Kenton, 2019).

3.5.7 Correlation

It is a statistical tool used to measure how strong a relation is between two variables. It expresses the strength of linkage or co-occurrence between two variables in a single value between -1 and +1. This value that measures the strength of linkage is called correlation coefficient, represented by *r*. The values close to +1 indicate a high-degree of positive correlations, while the values close to -1 indicate the high-degree of negative correlations. Pearson correlation coefficient is chosen for this study since the variables are normally distributed. Correlation is then calculated for the respond provided in Likert scale to find the degree of associations between independent and dependent variables for all samples.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x - (\sum x)^2}\sqrt{n\sum y - (\sum y)^2}}$$

where, n= Number of responses

x= Value of independent variable

y= Value of dependent variable

3.5.8 Regression

Regression is a statistical measurement that attempts to determine the strength of the relationship between one dependent variable (usually denoted by Y) and a series of other changing variables (known as independent variables). The purpose of regression analysis is to predict an outcome based on a historical data. So, regression analysis is used to predict the behavior of a dependent variable based on the behavior of a number of independent variables. In this study, linear regression is used as it is the most basic and commonly used predictive analysis. It estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. At the center of the regression analysis is the task of fitting a single line through a scatter plot. The simplest form with one dependent and two independent variables is defined by the formula,

$Y = a + b_1*X_1+b_2*X_2$

where, Y = Employee performance

a = Intercept

X_1 = Financial incentives

X_2 = Non-financial incentives

b_1 = Coefficient of financial incentives

b_2 = Coefficient of non-financial incentives

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the results of the samples collected for various determinants of the independent variables. It includes presentation and analysis of data collected from questionnaire. The analysis of data is carried out using various statistical tools and techniques to determine the influence of incentives on employee performance of the NIC ASIA Bank Ltd., and Global IME Bank Ltd. The findings of the data analysis, presented in this chapter are based on descriptive and inferential analysis.

4.1. Analysis of data

Primary data was collected from the respondents of the banks in a systematic way so as to avoid any confusion on the parameters therein. Sample analysis was carried out by collecting data from the test samples. When the final data was collected, it was observed that there are few missing values. Therefore, more than 100 samples were collected and the responses having missing values were discarded from the data entry. At NIC ASIA Bank Ltd., 56 sample questionnaires were distributed out of which 51were found to be valid, with the response rate of 91.07%. At Global IME Bank Ltd., 62 sample questionnaires were distributed out of which 59 were found to be valid, with the response rate of 95.16%. The questionnaire consists of demographic information to fill in by the respondents and the perception of key parameters designed in 5-point Likert scale, set out to analyze the dependent and independent variables of the study.

Data collected from the respondents are entered into SPSS software tool for statistical analysis. At first, descriptive statistics (mean, median, mode, standard deviation and the variance) of the financial and the non-financial incentives, and the employee performance were computed. While doing so the combined arithmetic mean of the key parameters of the employee performance, financial and the non-financial incentives were considered. The mean values so far obtained are then used to perform correlation and regression analysis.

The first group of tables shows the distribution of samples with respect to the Demographic information, such as, Gender, Age Group and Education level. The second group shows the staff perception on each key parameter, based on 5-point Likert scale. This study is aimed at finding out the profile of the respondents of the banks, such as gender, age group and education level in order to present overview of the level of understanding of the respondents.

4.1.1 Sample banks

Table 1 shows the distribution of the samples collected from the respective banks. 50 samples were considered from each bank, totaling 100.

Table 1

Sample banks

Bank Name	Frequency	Percentage (%)	Cumulative (%)
Global	50	50.0	50.0
NIC	50	50.0	100.0
Total	100	100.0	

4.1.2 Gender of the respondents

The table 2 clearly shows the respondents profile on the basis of gender category. As such, 63% of the total respondents were male while 37% were female. The ratio between female to male turns out to be 1:6; that means there is no equal participation in terms of gender.

Table 2

Gender of the respondents

Gender	Frequency	Percentage (%)	Cumulative (%)
Male	63	63.0	63.0
Female	37	37.0	100.0
Total	100	100.0	

4.1.3 Age group of the respondents

The objective of extracting respondents profile on the basis of age group is to investigate whether the respondents' perception on incentives is influenced by the age group of the employees. The Table 3 shows 57% participation is within the age group of 19-30, which forms the majority of the respondents profile in age group category that might influence the respondents' perception on the incentives. Similarly, 39% of the total respondents were in the age group of 31-40 and only 4% in 41-50 age groups. In this case, there is very less likely that the opinion of the respondents of the age group of 41-50 will be able to influence the perception on incentives.

Table 3

Age group of the respondents

Age Group	Frequency	Percentage (%)	Cumulative (%)
19-30	57	57.0	57.0
31-40	39	39.0	96.0
41-50	4	4.0	100.0
Total	100	100.0	

4.1.4 Terms of service

It is believed that the response of the questionnaire being asked will have the effect of work experience in the respective banks. Therefore, it is intended to collect the data on respondents' terms of service. Basically, respondents are working as a permanent staff with or without gratuity, or on contract basis or as a temporary staff. Table 4 shows the distributions of the terms of service of the respondents.

Table 4

Terms of service

Terms of Service	Frequency	Percentage (%)	Cumulative (%)
Permanent with Gratuity	70	70.0	70.0
Permanent without Gratuity	19	19.0	89.0
Contract	9	9.0	98.0
Temporary	2	2.0	100.0
Total	100	100.0	

4.1.5 Education level of the respondents

The study is aimed at understanding the level of education of the respondents. The Table 5 shows 77% respondents possess Masters Degree, which forms the majority of the respondents profile in education level category that might influence the respondents' perception on the incentives. Similarly, 19% of the total respondents possess Bachelors Degree, 3% possess MPhil Degree, which is additional to Masters Degree; while only 1% possess Higher Secondary (+2/PCL) level. In this case, there is very less likely that the opinion of the respondents of the Higher Secondary (+2/PCL) level will be able to influence the perception on incentives.

Table 5

Education level of the respondents

Education Level	Frequency	Percentage (%)	Cumulative (%)
Higher Secondary [+2/PCL]	1	1.0	1.0
Bachelors Degree	19	19.0	20.0
Masters Degree	77	77.0	97.0
MPhil	3	3.0	100.0
Total	100	100.0	

4.1.6 Survey on financial incentives

The staff perception on the influence of financial incentives on employee performance is rated on the scale of 1 to 5 (1 being strongly disagree, 2 being disagree, 3 means neutral, 4 being agree and 5 being strongly agree). Table in *Annex 3* depicts agreement, disagreement or neutral cases for the key parameters identified to represent employee performance, based on the key parameters identified as financial incentives. Based on the ratings of the respondents, most of them either agreed or stood neutral. Very few have shown their disagreement and, similarly, very few have strong agreement towards the parameters mentioned therein. The grand weighted mean in this case is found to be 3.538.

4.1.7 Survey on non-financial incentives

Table in *Annex 4* depicts agreement, disagreement or neutral cases for the key parameters identified to represent employee performance, based on the key parameters identified as non-financial incentives. Based on the ratings of the respondents, majority of them agreed to questions being asked. Very few have shown their disagreement and moderate number of respondents stood neutral, meaning the parameters mentioned therein are indifference to them. The grand weighted mean in this case is found to be 3.822.

4.1.8 Survey on employee performance

The staff perception on the influence of incentives on employee performance is rated on the scale of 1 to 5 (1 being strongly disagree and 5 being strongly agree). Table in *Annex 5* depicts agreement, disagreement or neutral cases for the key parameters identified to represent employee performance. As such, in most of the questions being asked to the respondents, the majority of them agreed. Very few have shown their disagreement and moderate number of respondents stood neutral, meaning the parameters mentioned therein are indifference to them. The grand weighted mean, here is found to be 3.811.

4.1.9 Descriptive statistics

The staff perception on the influence of incentives on employee performance is rated on the scale of 1 to 5 (1 being strongly disagree and 5 being strongly agree). Table 6 depicts the descriptive status for the whole sample considered for this study.

Table 6

Descriptive statistics for all samples

Variables/Statistics	N	Mean	Median	Mode	Std. Deviation	Variance
Financial Incentives	100	3.538	3.500	3.33[a]	0.583	0.339
Non financial Incentives	100	3.822	3.889	3.89	0.464	0.215
Employee Performance	100	3.811	3.818	3.64	0.508	0.258

a. Multiple modes exist. The smallest value is shown

It is observed that mean value is highest for non-financial incentives with 3.82, followed by employee performance with 3.81 and then financial incentives with 3.54. Similarly, median and mode values are also higher for non-financial incentives with

3.89, while employee performance and financial incentives stand at 3.82 and 3.5 for median and 3.64 and 3.33 for modes, respectively. So far the standard deviation and variance is concerned, it is lowest for non-financial incentives with 0.46 and 0.22. For employee performance and financial incentives, it stands at 0.51 and 0.58 for standard deviation and 0.26 and 0.34 for variance, respectively.

4.1.10 ANOVA test

ANOVA is used as statistical tool to test whether there is significant mean difference or not in each of the variables under study across the moderating variable of the study. The ANOVA test shown in Table 7 has been performed to measure the mean differences of the variables under study across the age group. Accordingly, the table reveals that there is no significant mean difference on the financial incentives and non-financial incentives across bank employees in NIC ASIA and Global IME Bank with respect to age group as p-value is greater than 0.05, i.e., 0.27 and 0.177, respectively. Similarly, there is no significant mean difference on the employee performance across bank employees in NIC ASIA and Global IME Bank with respect to age groups as p-value is greater than 0.05, i.e., 0.281. Hence, the null hypotheses, H01, H02 and H03 can be accepted, as shown in *Annex 6*.

Table 7

ANOVA-test for equality of means across age

Variables		Sum of Squares	df	Mean Square	F	Sig.
Financial Incentives	Between Groups	0.902	2	0.451	1.328	0.270
	Within Groups	32.613	96	0.340		
	Total	33.515	98			
Employee Performance	Between Groups	0.661	2	0.331	1.286	0.281
	Within Groups	24.688	96	0.257		
	Total	25.350	98			
Non-Financial Incentives	Between Groups	0.755	2	0.378	1.762	0.177
	Within Groups	20.576	96	0.214		
	Total	21.331	98			

4.1.11 Correlation analysis

The Table 8 depicts the correlation analysis of the variables under study that was obtained using SPSS by using the commands Analyze – Correlate – Bivarate…. The correlation analysis is conducted for the whole sample. It helps to find out the relationship between the variables under study.

Table 8

Relationship between variables for all samples

Variables		Employee Performance	Financial Incentives	Non-financial Incentives
Employee Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
Financial Incentives	Pearson Correlation	.635(**)	1	
	Sig. (2-tailed)	(0.000)		
Non-financial Incentives	Pearson Correlation	.711(**)	.604(**)	1
	Sig. (2-tailed)	(0.000)	(0.000)	

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

The output table of Correlations (Table 8) provides Pearson correlations between each pair of variables and associated significant tests. It is found that Employee Performance (EP) is positively correlated with Financial Incentive (FIN) ($r = 0.635$ or 63.5%, $p < 0.001$) and Non-financial Incentive (NF) ($r = 0.711$ or 71.1%, $p < 0.001$) at 99% confidence level. The correlations between the explanatory variables imply that both Financial Incentive and Non-financial Incentive are more extroverted ($r = 0.604$, $p < 0.001$). The correlation analysis shows all the independent variables: financial incentive and non-financial incentive have positive and significant relationship in employee performance in NIC ASIA and Global IME Banks. Hence, the null hypotheses, H04 and H05 can be rejected, as shown in *Annex 6*.

4.1.12 Regression analysis

Regression analysis helps to find out the impact of independent variables on the dependent variable. The regression analysis is conducted for the whole sample. In the study, regression analysis is done for the different determining factors; financial and non-financial incentives, on employee performance in NIC ASIA and Global IME

Banks. A multiple regression model can be set up in SPSS by using the commands Analyze – Regression – Linear…. The resulting SPSS output tables are shown in Table 9.

Table 9

Multiple regression model fit output

Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756(a)	.572	.563	.33577

a Predictors: (Constant), NF, FIN; b Dependent Variable: EP

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.629	2	7.315	64.882	.000(a)
	Residual	10.936	97	.113		
	Total	25.565	99			

a Predictors: (Constant), NF, FIN; b Dependent Variable: EP

The model fit output consists of a Model Summary table and an ANOVA table (Table 9). The former includes the multiple correlation coefficient, R, its square, R^2, and an adjusted version of this coefficient as summary measures of model fit. The multiple correlation coefficient R = 0.756 indicates that there is a strong correlation (75.6%) between the employee performance and those predicted by the regression model. In terms of variability in employee performance accounted for, by our fitted model, this amounts to a proportion of $R^2 = 0.572$, or 57.2%. Since by definition R^2 will increase when further terms are added to the model even if these do not explain variability in the population, the adjusted R^2 is an attempt at improved estimation of R^2 in the population. The index is adjusted down to compensate for chance of increases in R^2, with bigger adjustments for larger sets of explanatory variables. Use of this adjusted measure leads to a revised estimate that 56.3% of the variability in employee performance in the population can be explained by the three explanatory variables. The Model Summary table provides an estimate of the standard deviation of the error term, under Std. Error of the Estimate, which is very negligible in this study (0.336).

Next, the ANOVA table provides an F-test for the null hypothesis that none of the explanatory variables are related to employee performance, or in other words, that R^2 is zero. Here we can clearly reject the null hypothesis (H06 or/and H07) ($F(2,97) = 64.882$, $p < 0.001$), and so conclude that at least one of financial and non-financial incentives is related to employee performance.

4.1.13 Multiple regression coefficients

The output shown in Table 10 provides estimates of the regression coefficients, standard errors of the estimates, t-tests that a coefficient takes the value zero, and confidence intervals. The estimated regression coefficients are given under the heading Unstandardized Coefficients B; these give, for each of the explanatory variables, the predicted change in the dependent variable when the explanatory variable is increased by one unit conditional on all the other variables in the model remaining constant.

Table 10

Multiple regression coefficients output

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.655	.284		2.308	.023	.092	1.218
	FIN	.282	.073	.324	3.883	.000	.138	.427
	NF	.564	.091	.516	6.185	.000	.383	.745

a Dependent Variable: EP

As depicted in the above table, employee performance is considered as dependent variable and financial and non-financial incentives as independent variables. In this study, employee performance is increased by 0.282 units for every additional score on the financial incentive. The regression coefficient estimate of financial incentive has a standard error (Std. Error) of 0.073 and a 95% confidence interval for the coefficient is given by [0.138, 0.427], or in other words, the increase in employee performance is estimated to be in the range 1.38 to 4.27. Similarly, the estimated effect for a non-financial incentive is 0.564 units. The regression coefficient estimate of non-financial incentive has a standard error (Std. Error) of 0.091 and a 95% confidence interval for the coefficient is given by [0.383, 0.745], or in other words, the increase in employee performance is estimated to be in the range 3.83 to 7.45. Hence, the impact of financial incentives and non-financial incentives is found to be positive and significant at 95% confidence level. Therefore, the null hypothesis; H06 and H07 can be rejected, as shown in *Annex 6*.

4.2. Discussion

According to the objectives of the study, quantitative research methodology is employed. The survey conducted in this study is to collect staffs perception on how satisfied are they with the financial and non-financial incentives provided by the bank. Furthermore, the survey also tried to reveal the factors that helped to improve the employee performance. So, basically, financial and non-financial incentives are considered as the independent variable while employee performance as the dependent variable.

Based on the survey data, it is noted that the weighted mean of the survey on financial performance incentives vary within 3.36 to 3.76. In this case, the majority of the respondents agree with the banks financial support for lifelong learning program that made them to stay in the bank, while they have disagreement and doubt on the banks policy of fair and adequate incentives upon retirement. In terms of the survey on non-financial performance incentives, the weighted mean vary within 3.59 to 4.07. In this case, the majority of the respondents agree with the view that the incentive plan will help to improve their living standard, while they depreciate with the participative management system of the bank. Likewise, the weighted mean of the survey on the employee performance vary within 3.25 to 4.19. Majority of the respondents believe that the recognition from their supervisor and colleagues influences their job performance, while they have disagreement on the fact that the bank will encourage group incentive systems on group performance. The result is consistent with Fatah & Suhandini (2019), who studied the effect of employee incentives and rewards on employee performance. This study used quantitative research methods, using saturated samples totaling 63 people. The results of the study obtained the consequences of giving incentives have a significant influence on employee performance, and giving rewards has a considerable impact on employee performance. Likewise, Tripathi (2014) explored the influence of some part of motivational factors (Remuneration, Recognition and Incentives) on employees' performance in Devi Ahilya University, Indore, India. The findings of the study revealed that there exists strong positive relationship and significant effect of incentives, remuneration and recognition, on job performances, and that incentive motivational factor has the highest contribution to boost the job performance of the employees. This confirms that both financial and non-financial incentives have significant influence on employee performance.

The results obtained from statistical analysis reveals that the mean value is higher in terms of non-financial incentives (3.822) compared to that of financial incentives (3.538). In this case, the standard deviation and variance is found to be lowest. This shows respondents are more attracted to the non-financial incentives rather than financial incentives. Likewise, the correlation analysis shows that the employee performance is positively and highly correlated with non-financial incentives (71.1%), compared to that of financial incentives (63.5%), at 99% confidence level. Similarly, a multiple regression model fit output predicts the multiple correlation coefficient ($R = 0.756$) indicates that there is a strong correlation between the employee performance and those predicted by the regression model. In this case, the estimate of the standard deviation of the error term is found to be very negligible (0.336). The ANOVA table further reveals that none of the explanatory variables are related to employee performance, i.e., $R^2 = 0$. Therefore, we can clearly reject null hypothesis ($F(2,97) = 64.882$, $p<0.001$) and conclude that at least one of the financial and non-financial incentives is related to employee performance. The ANOVA-test for equality of means across age group reveals that there is no significant difference of financial incentives, non-financial incentives and employee performance across age group as the p-value is greater than 0.05 in all the cases. Likewise, the multiple regression coefficients output table shows that the employee performance is increased by 0.282 units for every additional score on the financial incentive, while that of non-financial incentive is 0.564 units. This result is consistent with the study conducted by Nelson and Spitzer (2000), who viewed that although cash rewards are generally welcomed by employees; managers should never use this as a tool to motivate their employees to improve performance levels. Should this happen, there is a chance that the essence of reward would be forgotten. In a similar study by Naqbi, Yusoff, and Ismail (2018) on, The Effect on Incentive System on Job Performance Motivation as Mediator for Public Sector Organization for UAE, researchers have adopted a quantitative approach to assess the effect of the incentive system in public sector in UAE on the job performance, and to identify the mediating effect of employees motivation in two dimensions (intrinsic and extrinsic) on the relationship between the incentive systems (monetary and tangible and non-monetary and intangible), and employees performance. The outcome of the empirical analysis shows that incentives consist of three factors. The first factor is non-monetary incentives. It is found that the encouragement in work from managers motivates the employees to give better performance; the staff believes that the premium nature of work or risk encourages them to perform better but the employees are feeling secure and stable because of the retirement system of their service. It is found that the moral incentives are not less important than financial incentives. The second factor is monetary or financial incentives. The responses of participants in the survey reveal that the salary fills the basic needs of employees and bonus system is somehow fair, which shows general dissatisfaction with the current incentives system in the organization. The last factor of incentives is the Social Dimension. The staffs believe that the government incentive system is good and works to improve the performance of employees and the retirement law of U.A.E is fair, and one of the important findings is that the salary provides social guarantees to the employees and they feel that the social allowances for the wife and children are acceptable in U.A.E. Chepkemoi (2018) investigated effect of incentives on employee performance at Kenya forest service Uasin Gishu County and concluded that incentives are essential in organizational performance. Hsu, Jiang, Klein, and

Tang (2003) observed that there are five elements of incentives that entice employees which include salary, short term incentives, long term incentives, employee benefits and perquisites and recommended that organizations should frequently review employee attitudes about their career incentives and take advantage of the chance to determine their job attitudes. In another study conducted by Mamdani & Minhaj (2016) on the Effects of Motivational Incentives on Employees Performance, it recommended that only monetary incentives were not enough. The capacity building programs should be initiated for the employees which will not only make their work challenging but will also increase commitment towards their organizations.

CHAPTER V

SUMMARY AND CONCLUSION

5.1. Summary

Performance management system is the systematic approach to measure the performance of employees. It is a process through which the organization aligns their mission, goals and objectives with available resources (e.g. Manpower, material, etc.), systems and set the priorities (Board, 2017). The productivity of the organization depends on the performance of the employees. The performance of an employee depends on the strength of employee incentive schemes used in an institution.

The main objective of this research is to study the effect of incentives and motivation on employee performance at NIC ASIA Bank and Global IME Bank Ltd. It aims to examine the motivational factors that helped banks to grow, and to identify the parameters that have strong influence on employee performance. Therefore, a research is conducted based on the quantitative analysis by taking the opinion of the banks employees. The questionnaire is designed to gather information on the influence of incentives (independent factor) on employee job performance (dependent factor). The target populations for this research were 50 employees of each bank, chosen randomly. The primary data collected from both the banks were analyzed using the statistical analysis software, SPSS. With the help of this analyzing tool, various statistical analyses, such as mean, median, mode, standard deviation, variance, ANOVA-test, correlation, regression, were carried out. Based on the survey and the data analysis, the major findings of the study are as follows:

1. The weighted mean of the survey on financial performance incentives vary within 3.36 to 3.76. In this case, the majority of the respondents agree with the banks financial support for lifelong learning program that made them to stay in the bank, while they have disagreement and doubt on the banks policy of fair and adequate incentives upon retirement.

2. In case of the non-financial performance incentives, the weighted mean vary within 3.59 to 4.07. Here, the majority of the respondents agree with the view that the incentive plan will help to improve their living standard, while they depreciate with the

participative management system of the bank.

3. The weighted mean of the employee performance vary within 3.25 to 4.19. In this case, majority of the respondents believe that the recognition from their supervisor and colleagues influences their job performance, while they have disagreement on the fact that the bank will encourage group incentive systems on group performance.

4. The mean value of non-financial incentives (3.822) is higher than that of financial incentives (3.538). In this case, the standard deviation and variance is found to be lowest. This shows respondents are more attracted to the non-financial incentives rather than financial incentives.

5. The correlation analysis shows that the employee performance is positively and highly correlated with non-financial incentives (71.1%), compared to that of financial incentives (63.5%), at 99% confidence level.

6. A multiple regression model fit output predicts that the multiple correlation coefficient ($R = 0.756$) indicates strong correlation between the employee performance and those predicted by the regression model. In this case, the estimate of the standard deviation of the error term is found to be very negligible (0.336). The ANOVA table further reveals that none of the explanatory variables are related to employee performance, i.e., $R^2 = 0$. Therefore, the null hypothesis ($F(2, 97) = 64.882$, $p<0.001$) can be rejected and can be concluded that at least one of the financial and non-financial incentives is related to employee performance.

7. The ANOVA-test for equality of means across age group reveals that there is no significant difference of financial incentives, non-financial incentives and employee performance across age group as the p-value is greater than 0.05 in all the cases.

8. The multiple regression coefficients output table shows that the employee performance is increased by 0.282 units for every additional score on the financial incentive, while that of non-financial incentive is 0.564 units. The regression coefficient estimate of financial incentive has a standard error (Std. Error) of 0.073 and a 95% confidence interval for the coefficient is given by [0.138, 0.427], which means the increase in employee performance is estimated to be in the range 1.38 to 4.27. Similarly, the regression coefficient estimate of non-financial incentive has a standard

error (Std. Error) of 0.091 and a 95% confidence interval for the coefficient is given by [0.383, 0.745], which means the increase in employee performance is estimated to be in the range 3.83 to 7.45.

5.2. Conclusion

The survey carried out in this research is to collect staffs perception on how satisfied are they with the financial and non-financial incentives provided by the bank. The semi-structured questionnaire is designed to gather information on the influence of incentives (independent factor) on employee job performance (dependent factor).The study was conducted at 50 employees of NIC ASIA bank and Global IME Bank, chosen randomly. The primary data collected from both the banks were analyzed using the statistical analysis software, SPSS. The data was analyzed using mean, median, mode, standard deviation, variance, ANOVA-test, correlation, and regression.

The findings revealed that employee performance contributes directly to the performance of the company and the influence of financial and non-financial incentives have a pivotal role into it. The mean value of non-financial incentives (3.822) is higher than that of financial incentives (3.538). The correlation analysis shows that the employee performance is positively and highly correlated with non-financial incentives (71.1%), compared to that of financial incentives (63.5%), at 99% confidence level. The ANOVA table further reveals that none of the explanatory variables are related to employee performance, i.e., $R^2 = 0$. The multiple regression coefficients output table shows that the employee performance is increased by 0.282 units for every additional score on the financial incentive, while that of non-financial incentive is 0.564 units. Based on the above analysis, it can be inferred that the employee performance depends on both form of incentives, but while the comparison between the two forms come into play, it seems that employee performance depends more on non-financial incentives than that of financial incentives. Lastly, it can be concluded that there is significant relationship between influence of incentives (Ii) and employee performance (Ep) at NIC ASIA Bank and Global IME Bank.

5.3. Implications

In this study, it is observed that there is significant relationship between influence of incentives (Ii) and employee performance (Ep) at NIC ASIA Bank and Global IME Bank. Only the differences are the factors influencing them. Therefore, the banks should focus on revisiting their HR policies and the variables that directly or indirectly affect the employee performance, which will further contribute to the profitability and the well-being of the companies. Majority of the respondents either agreed to or being indifference in most of the cases, which seems natural in terms of job satisfaction. Based on the study, few recommendations that the banks should consider for further improvement are; they should introduce adequate gratuity schemes and other fringe benefits, they should state clear retirement plans, and should establish attractive salaries and perks, and should provide group incentives on group performances.

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Annexure

Annex 1

Review of empirical studies

Study	Major Findings
Ismail (2015)	• Identified positive relationship between career incentives, and employee performance. • Found distributive justice partially mediated the relationships between career incentives and employee performance.
Hsu, Jiang, Klein, and Tang (2003)	• Observed that there are five elements of incentives that entice employees which include salary, short term incentives, long term incentives, employee benefits and perquisites.
Nelson, & Spitzer (2000)	• Viewed that although cash rewards are generally welcomed by employees; managers should never use this as a tool to motivate their employees to improve performance levels.
Condly, et. al. (2003)	• Identified incentives as an instrument to motivation and performance. • Suggested organization to consider a variety of ways to reward the employees for their exemplary work performance, such as, best employee rewards.
Chepkemoi (2018)	• Investigated effect of incentives on employee performance at Kenya forest service Uasin Gishu County. • Study findings indicated that incentives are essential in organizational performance. • Recommended that Kenya forest service and other government institutions should embrace reengineering process in their systems of operations in order to improve on customer service, new values of teamwork and cooperation, reduced employee turnover which in turn results in improved organizational image.
Mamdani &Minhaj (2016)	• Variables considered for the study were level of job satisfaction, level of performance, efficiency, organizational productivity, employee's loyalty and professionalism. • Study concluded that though incentives had impact on employee's performance; the employees were not loyal to their organizations and were willing to switch their jobs if better opportunities came their way. • Recommended to initiate capacity building programs for the employee's, which will not only make their work challenging but also increase commitment towards their organizations.
Fatah & Suhandini (2019)	• Studied the effect of employee incentives and rewards on employee performance. • Results showed the consequences of giving incentives have a significant influence on employee performance, and giving rewards has a considerable impact on employee performance with a coefficient of determination of 0.321, which can be interpreted that the variable giving incentives and rewards affects 32.1% of employee performance and other factors influence the remaining 67.9%.
Hameed, Ramzan, Zubair, Ali, & Arslan (2014)	• Conducted a study at different banks of Pakistan, on Impact of Compensation on Employee Performance with an objective to measure the impact of compensation, such as, salary, rewards on employee performance. • Found that compensation has positive impact on employee performance, based on the results of correlation, regression and ANOVA for the chosen variables.
Salah (2016)	• Examined the influence of reward types (extrinsic, intrinsic, social and rewards

	mix) on employee performance in mining company of Jordan. • Findings indicated that there is a statistical significant relationship between rewards types and employees performance. • Study concluded that management should have deep sense of commitment towards the issue of rewarding employees, if the performance levels have to be enhanced.
Naqbi, Yusoff, & Ismail (2018)	• Conducted a study on, The Effect on Incentive System on Job Performance Motivation as Mediator for Public Sector Organization for UAE. • Outcome of the empirical analysis showed incentives consist of three factors, viz., non-monetary incentives, monetary or financial incentives, and the social.
Pradhan & Jena (2017)	• Explored the concomitant areas for extending the scope of employee performance as a major domain of human resource (HR) effectiveness. • Reliability study on the sample reported significant internal consistency on the total scale (α = 0.80) along with the three subscales (α ranging from 0.80 to 0.91). • Proposed that, HR managers and organizational behavior (OB) practitioners must use the insights from the explored factors to create and maintain a better work environment.
Wickramasinghe & Dabere (2012)	• Identified significant positive impact on work performance. • Found significant positive impact on work performance.
Tripathi (2014)	• Showed strong positive relationship and significant effect of incentives, remuneration and recognition, on job performances. • Observed incentive motivational factor has the highest contribution to boost the job performance of an employees
Bonner & Sprinkle (2002)	• Found numerous directions for future research in accounting that could provide important insights into the efficacy of monetary rewards.
Cainarca, Delfino, & Ponta (2019)	• Observed a modification of individual behaviors, in line with the theoretical foundations and predictions formulated.
Lee (2015)	• Identified financial incentives have their role in performance improvement. • Found compassionate coordinated care should bea social norm and be pursued with the same methods as other social norms
Novianty & Evita (2018)	• Showed the dimension of the research variable was valid. • Showed variable of financial incentives relationship had a positive effect on employee motivation.

Annex 2

Questionnaire

This questionnaire is designed to gather information on the influence of incentives on employee job performance at **NIC ASIA Bank/GLOBAL IME BANK**. I kindly request you to provide information by putting a tick mark (√) or fill in the blank. The information provided shall be kept **CONFIDENTIAL** and shall be used for **ACADEMIC PURPOSE** only.

Kritika Sharma,
MBS student
People's Campus

THE INFLUENCE OF INCENTIVES ON JOB PERFORMANCE IN THE NIC ASIA BANK/GLOBAL IME BANK

SECTION A

Name [optional]: ________________________________

1. What is your gender? Male ( ) Female ( )

2. What is your age bracket?

(a) 19-30 ( ) (b) 31-40 ( ) (c) 41-50 ( ) (d) 51-60 ( ) (e) Above 60 ( )

3. Department: ________________________________

4. What is the number of years you have worked in this organization? _________________

5. What are your terms of service/employment?

(a) Permanent with gratuity ( ) (b) Permanent without gratuity ( )

(c) Contract ( ) (d) Temporary ( )

6. What is your education level?

(a) Higher Secondary Level [+2/PCL] ( ) (b) Bachelor's Degree ( )

(c) Master's Degree ( ) (d) MPhil ( )

SECTION B

S. No.	Employee Performance	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
7.	The incentives provided by the bank are generally supportive to my job performance.					
8.	Banks recognition and personal attention on its employees is important in job performance.					
9.	The recognition from my supervisor and colleagues influences my job performance.					
10.	Incentive increases responsibility, scope and challenge in my performance					
11.	The bank encourages group incentive systems on group performance.					
12.	The bank employees value vacations and praises for their job performance.					
13.	Allowances and rewards are given for special efforts in job performance.					
14.	The bank uses lump sum bonuses to motivate and encourage high level performances of employees.					
15.	Certificates and attention as incentives benefits directly to my performance.					
16.	I think Incentives cause satisfaction of the employee which directly influences					

	performance of the employee.					
17.	The banks genuine appreciation for work well done guides my job performance.					

SECTION C

C1

S. No.	**Financial Performance Incentives**	**Strongly Disagree (1)**	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**
18.	As an employee I value financial incentives of salary of NIC ASIA Bank/Global IME Bank.					
19.	The bank salaries and perks are attractive and are appreciable for me.					
20.	The bank financial support for lifelong learning program is an important consideration for my staying in the bank.					
21.	The bank provides a good gratuity scheme and other fringe benefits which I appreciate.					
22.	The bank provides fair and adequate incentives on retirement.					
23.	The bank provides good medical reimbursement to employees.					

C2

S. No.	Non-financial Performance Incentives	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
24.	I find the bank provides opportunity for promotion for high performing employees.					
25.	Incentive plans motivate employees for higher efficiency and productivity.					
26.	I appreciate the participative management system of the bank.					
27.	Incentives can improve the work-flow and work methods.					
28.	Incentive plans make employees hardworking and innovative.					
29.	Suggestion system acts as incentive for the employees in search of something useful to the bank.					
30.	Incentive plans help establish positive response in the bank.					
31.	The incentive plans offer reduced turnover, reduced absenteeism, and reduced lost time.					
32.	I think incentive plan helps employees improve their standard of living.					

END OF QUESTIONNAIRE

Thank you for your valuable time.

Annex 3

Survey on financial performance incentives

Statements	Ratings					Total Responses	Weighted Value	Weighted Mean
	1	2	3	4	5			
As an employee I value financial incentives of salary of Bank.	2	7	22	58	11	100	369	3.69
The bank salaries and perks are attractive and are appreciable for me.	0	12	37	43	8	100	347	3.47
The bank financial support for lifelong learning program is an important consideration for my staying in the bank.	0	7	27	49	17	100	376	3.76
The bank provides a good gratuity scheme and other fringe benefits which I appreciate.	1	9	46	37	7	100	340	3.4
The bank provides fair and adequate incentives on retirement.	2	14	39	36	9	100	336	3.36
The bank provides good medical reimbursement to employees.	1	8	39	39	13	100	355	3.55
Grand weighted mean								3.538333

Annex 4

Survey on non-financial performance incentives

Statements	Ratings					Total Responses	Weighted Value	Weighted Mean
	1	2	3	4	5			
I find the bank provides opportunity for promotion for high performing employees.	0	5	31	58	6	100	365	3.65
Incentive plans motivate employees for higher efficiency and productivity.	0	0	18	59	23	100	405	4.05
I appreciate the participative management system of the bank.	1	8	38	37	16	100	359	3.59
Incentives can improve the work-flow and work methods.	1	8	17	60	14	100	378	3.78
Incentive plans make employees hardworking and innovative.	0	6	16	63	15	100	387	3.87
Suggestion system acts as incentive for the employees in search of something useful to the bank.	0	4	27	59	10	100	375	3.75
Incentive plans help establish positive response in the bank.	0	4	20	58	18	100	390	3.9
The incentive plans offer reduced turnover, reduced absenteeism, and reduced lost time.	1	8	28	42	21	100	374	3.74
I think incentive plan helps employees improve their standard of living.	0	1	21	48	30	100	407	4.07
Grand weighted mean								3.8222

Annex 5

Survey on employee performance

Statements	Ratings					Total Responses	Weighted Value	Weighted Mean
	1	2	3	4	5			
The incentives provided by the bank are generally supportive to my job performance.	2	8	22	61	7	100	363	3.63
Banks recognition and personal attention on its employees is important in job performance.	2	4	8	52	34	100	412	4.12
The recognition from my supervisor and colleagues influences my job performance.	1	0	13	51	35	100	419	4.19
Incentive increases responsibility, scope and challenge in my performance	0	5	16	54	25	100	399	3.99
The bank encourages group incentive systems on group performance.	6	13	36	40	5	100	325	3.25
The bank employees value vacations and praises for their job performance.	0	6	35	47	12	100	365	3.65
Allowances and rewards are given for special efforts in job performance.	1	10	27	47	15	100	365	3.65
The bank uses lump sum bonuses to motivate and encourage high level performances of employees.	3	4	27	45	21	100	377	3.77
Certificates and attention as incentives benefits directly to my performance.	3	7	28	45	17	100	366	3.66
Incentives cause satisfaction of the employee which directly influences performance of the employee.	1	2	17	56	24	100	400	4
The banks genuine appreciation for work well done guides my job performance.	0	2	18	57	23	100	401	4.01
Grand weighted mean								3.810909

Annex 6

Result of hypotheses test

Hypothesis	Results	Tools	Significance Level
H01: There is no significant mean difference on the financial incentives across bank employees in NIC ASIA and Global IME Bank with respect to age group.	Accepted	ANOVA	
H02: There is no significant mean difference on the non-financial incentives across bank employees in NIC ASIA and Global IME Bank with respect to age group.	Accepted	ANOVA	
H03: There is no significant mean difference on the employee performance across bank employees in NIC ASIA and Global IME Bank with respect to age group.	Accepted	ANOVA	
H04: There is no significant relationship of influence of financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.	Rejected	Correlation Analysis	0.01
H05: There is no significant relationship of influence of non-financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.	Rejected	Correlation Analysis	0.01
H06: There is no significant impact of influence of financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.	Rejected	Regression Analysis	0.05
H07: There is no significant impact of influence of financial incentives with employee performance at NIC ASIA Bank and Global IME Bank.	Rejected	Regression Analysis	0.05