



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF REWARD PRACTICES ON  
EMPLOYEES PERFORMANCE  
IN COMMERCIAL BANK OF ETHIOPIA**

**BY  
MULUGETA ALEMU**

**MAY 2017  
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY COLLEGE,  
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## **List of Abbreviations**

**CBB** – Construction and Business Bank

**CBE** – Commercial Bank of Ethiopia

**KSAs** - Knowledge, Skills and Attitudes

**HR** – Human Resource

**HRM** – Human Resource Management

**SPSS**- Statistical Package for Social Science

**VIE**- valence, instrumentality and expectancy

## **ABSTRACT**

*This research work examined the effect of selected reward practices on Employees Performance in Commercial bank of Ethiopia in Addis Ababa city-branches. A questionnaire was used as an instrument to collect the primary data. A total of 366 copies of the questionnaire were distributed to the employees in Commercial Bank of Ethiopia and a total of 333 employees completed the questionnaires properly. Then the researcher performed the analysis process for the collected valid data using Statistical Package for Social Science (SPSS) version 20. Descriptive statistics based on a frequency tables were used to provide information on the variables. The results are investigated in terms of descriptive statistics followed by inferential statistics on the variables. Hypotheses were developed to see the effect of all the independent variables (pay/salary, benefit, promotion, recognition and working condition) on the dependent variable (Employee Performance). The findings obtained indicated that reward practices have a positive influence on employee performance. Furthermore, it provided suggestions to overcome the problems to improve employees' performance. The management must clearly communicate its reward policy and procedure to its employees and the bank should include both financial and non-financial rewards with appropriate mix.*

**Key words:** CBE, Reward, Employee Performance.

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the Study

Human resource provides basis for an organization to achieve sustainable competitive advantage. Since organizations are operating in a dynamic and competitive business environment, they need to develop strategies to acquire and retain the competent work forces.

According to Show (2006), human resource managers must try to develop human resource programs that improve productivity and enhance organizational effectiveness. One popular approach to enhancing productivity has been linking rewards to performance through various form of incentive pays based on specific employee performance criteria and stock ownership rewards to professional who meet specific goals.

Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is “being valued by the organization that he/she is working for”. According to Fay and Thomson (2001) reward systems have a critical role in determining the organizations ability to attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislations and regulation. As a result of these pressures, HR managers seek to design reward structure that facilitate the organization strategic goals and the goals of the individual employees. In fact employees will do their highest when they feel or hope that their hard work are to be rewarded by their managers.

According to Armstrong (2012) performance management is the means of getting better results by understating and managing performance within an agreed framework of planned goal, standards and competency requirement. Performance management influences performance by helping people to understand what good performance means and by providing the information needed to improve it. Reward management influences performance by recognizing and rewarding good performance and by providing incentives

to improve it. If an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. The highly motivated employees serves as the competitive advantage for any organization because their performance Leads an organization to well accomplishment of its goals (Rizwan and Ali, 2010).

Markova and Ford (2011) mentions that the real success of organization originates from employees' willingness to use their creativity, ability and know how in favor of the organization and it is organization's task to encourage and promote these positive employee input by putting effective reward practice in place. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees.

The major purpose of the study is to look at the domain of reward practices in the bank and see its effect on the performance of employees in commercial bank of Ethiopia. The study was to analyze how the reward practice being provided to the employees was affect their actual performance and which types of rewards influence them more and also what kind of perception workers have towards the reward practices. Therefore, in this study the researcher tried to identify the effect of reward could have on the performance of employees in case of CBE by quantitatively testing the effect of selected variables of monetary and non-monetary rewards practice as an independent variables such as (pay/salary, benefit, promotion, recognition and the working condition) and the dependent variable i.e. employee performance.

## **1.2 Statement of the Problem**

Reward is very important for an organization to compete with this challenging and changing world. It is directly related to employee but its ultimate effect goes to the organization because the end user is the organization itself.

Most studies have been conducted regarding factors that have implication on performance of employees, specially relating it with the motivational implications. Stredwick (2005) stated that money can motivate up to a certain level but this differs greatly between individuals. In relation to these, Armstrong (2010) stated that the formal reward systems in

organizations must be aligned with the strategic goals for the organization. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance. He also noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2010). The reward can be in the form of intrinsic and extrinsic or a combination of (Sajuyigbe, Bosede, & Adeyemi, 2013).

By considering the points mentioned above, when observing the practical application of reward practices in the Commercial bank of Ethiopia, the researcher has observed that the rewards provided to employees are mostly focused on cash bonus type of reward, and there is also a time gap between good performance and the rewards provided (CBE. INT. MEMO. 1176 September 2015 and CBE Annually Magazine December, 2016). But, as also mentioned above by different authors, it is important for CBE to consider other kinds of reward to effectively improve the performance of the employees because there is certainly no 'one size fits all' approach to the type of reward system to apply with in CBE.

Based on the preliminary observation at CBE and reports on (CBE Portal) the reward practices have been provided and how these practices have influenced the performance of employees and how employees give response to those practices. And also the rewards provided mostly being cash bonus related might have some negative effect on employees' expectation and their performance responses.

Employees may not always expect cash related rewards (they may not be motivated by only cash bonus type of reward so as to enhance their performance level). They might also be initiated by other kinds of rewards that are included in the financial and non-financial type of reward. An experience of imbalanced reward practice between monetary and non-monetary rewards in CBE could be the result of differing managerial philosophy or understanding about the purpose/objective of reward regarding its effect on workers performance and also lack of attention towards what the reward could provide for the performance of the organization in general.

### **1.3. Research Questions**

The thesis was expected to address the following research questions

1. What type of reward systems are employed in Commercial Bank of Ethiopia?
2. What is the effect of the reward practices on the employee's performance?
3. Which kinds of reward practices mostly influence performance level?
4. How do employees perceive the existing reward practices of CBE?

### **1.4. Objectives of the Study**

The study continued having the following objectives as a guide.

#### **1.4.1. General Objective**

The overall purpose of the study was to investigate the effect of selected reward practices on the employee's performance in Commercial Bank of Ethiopia.

#### **1.4.2. Specific Objective**

1. To assess the current provision of reward practices implement in CBE.
2. To identify the effect of the reward practices on the employees performance.
3. To find out which kinds of reward practices mostly influence performance level.
4. To assess the perception of employees towards the existing reward practices of the organization against their contribution.

### **1.5. Hypothesis**

Hypothesis was also develop in order to see the association of the independent variables selected monetary and non-monetary rewards that is (Pay/Salary, Benefit, Promotion, Recognition and the Working Condition) and the dependent variable i.e. Employee Performance.

H1:- Pay/Salary is positively related to Employee Performance.

Ho:-There is no positive relationship between Pay/Salary and Employee performance.

H2:- Benefit is positively related to Employee Performance.

Ho: There is no positive relationship between Benefit and Employee Performance.

H3:- Promotion is positively related to Employee Performance.

Ho:-There is no positive relationship between Promotion and Employee Performance.

H4:- Recognition is positively related to Employee Performance.

Ho:-There is no positive relationship between Recognition and Employee Performance.

H5:- Working Condition is positively related to Employee Performance.

Ho:-There is no positive relationship between Working Condition and Employee Performance.

H6:- Reward practices have a significant effect on the Employee Performance.

Ho:-Reward practices have no significant effect on the Employee Performance

## **1.6 Definition of Terms**

Reward - refers to both financial and non-financial rewards that are provided to employees in return of their contribution (Aktar, Sachu, & Ali, 2012).

Recognition – are special awards for employee achievement, is less common and is associated with performance but usually operated separately and where many of the rewards are non-cash (Stredwick, 2005).

Pay/Salary -refers to the amount of pay (the fixed salary or wage) that constitutes the rate for the job (Armstrong, 2010).

Benefit -refers to employee's satisfaction with pension, medical scheme and leave. Employee benefits refer to compensation other than hourly wage or salary (Ingham, 2007).

Promotion - refers to opportunities that organizations offer for advancement. Promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing (Robbins & Judge, 2013).

Working condition - includes working hours, relationship with coworkers, and quantity of work and availability of resources (Ruddy, 2007).

Employee performance - is the productivity or result of the employee while doing the job. Employee performance means employee productivity and output as a result of employee development (Oroh, Lapian, & Pandowo, 2014).



### **1.7 Significance of the Study**

In addition to meeting the objectives of the study which are mentioned above the study will be significant in the following areas:

This study:-

- I. Helps the managements of the CBE to understand the importance of reward and how it could be effectively delivered to the employees to improve their performance.
- II. It suggests solutions to problems related to reward system that was being helpful to both the employees as well as the management.
- III. Brings awareness to other financial institutions in the banking sector how the performance of employees can be affected by the level of rewards provided to their employees.
- IV. Give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues.

### **1.8. Delimitation/ Scope of the Study**

The scope of the study was delimited to employees of the Commercial Bank of Ethiopia those branches and head offices which are located in the city of Addis Ababa (city branches) and clerical and managerial staffs of the bank were subjects for the study. This study were conceptually delimited to examining the effect of reward practices on employees performance by considering selected types of reward practices (Pay/Salary, Benefit, Promotion, Recognition, and Working Condition) and was testing the hypothesis formulated to prove as to which the factors proposed have effect on performance of the employees and to see whether or not there is a link between the selected reward practices and performance of employees and most theories, empirical studies and employee performance concepts were considered.

### **1.9. Limitation of the Study**

Lack of finance is the major limitation of this study which hinders the researcher from the depth investigation of the issue. The time frame is very limited which restrict to measure the effect of reward and employee performance because the researcher just used cross sectional data, hence no measure of actual effect has been made in depth treatment of the research topic.

### **1.10. Organization of the Study**

This paper is divided into five chapters, which give readers a comprehensive overview of the study. The first chapter presents the introduction part of the study. The second chapter were discusses review of related literature; this is followed by the third chapter which is research design and methodology of study. The last two chapters cover the data analysis and presentation and conclusion and recommendation.

## **CHAPTER TWO**

### **2. LITERATURE REVIEW OF RELATED**

#### **2.1 Overview of Reward and Reward Management**

Saunders (2009, P.98) state that “a critical review of literature is necessary to help you to develop a thorough understanding of and insight in to, previous research that relate to your research question(s) and objectives”.

This literature review on the effect of reward practices on employee performance. It will reveal the many different types of rewards available to modern day employees as well as the most favorable way to apply those rewards to get the best performance from your staff. This thesis explores two of the main theories and practices of rewards in the work place and how they affect employee performance. The theory on reward systems and their effect on performance cannot be evaluated without looking at how work motivation is also affected by these rewards and how that motivation is directly linked to employee performance.

Ensuring you have the right reward strategy and structure in place in your organization is vital for the positive employee performance and motivation of your staff and these rewards systems should be based on what is needed to achieve the desired level of performance and motivation. A good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence and up accomplishing the organizational goals and objectives.

In order to maximize the performance of the employees organization must make policies and procedures and formulate such reward system under those policies and procedures which increase employee satisfaction and performance (Hafiza, Shan, & Jamshed, 2011).

Human resource is one of the important assets that organization owns. And Reward helps management to retain efficient and experienced workforce in an organization (Sajuyigbe, Bosede, & Adeyemi, 2013). This literature review chapter focuses on organizational

reward system and their effects on employee's performance in dealing with from theoretical aspect to conceptual frameworks.

## **2.1 Reward**

Bratton and Gold (2003) defined reward as “all the cash, non-cash and psychological payments provided by an organization in return for their contribution. Generally, a reward is given in return for good work or in recognition of merit or for performance of a service rendered (Mansor, Borhannuddin, & Yusuf, 2012).

Rewards are the positive reinforcements given by the organization. Reward acts as effective motivators and help people to increase productivity and efficiency (Gang, 2008). Employees are the engine of organization vehicles while reward is the fuel.

Reward had been seen to be a vital instrument in employee performance. And a well-rewarded employee feels that he/she is being valued by the company that he/she is working for (Sajuyigbe, Bosede, & Adeyemi, 2013).

## **2.2 Reward Management**

Reward management refers to the strategies, policies, And processes that are required to people in an organization is recognized by both non-financial and financial means (Armstrong, 2007). It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) and reward management is concerned with the formulation and implementation of strategies and polices that aim to reward people fairly, equitably and consistently in accordance with their value to the organization.

The organization sets goals and establishes rules for its employees to follow to achieve those goals; it makes sure that employees are clearly aware of these goals, rules and the rewards they will get for high performance. In fact employees will do their highest when they feel or hope that their hard work are to be rewarded by their managers.

### **2.2.1 Aims of Reward Management**

The aims of reward management according to Armstrong 2010:

- a. Reward people according to the value they create
- b. align reward practices with business goals *and* with employee values and needs;
- c. reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- d. Help to attract and retain the high-quality people the organization needs;
- e. motivate people and obtain their engagement and commitment;
- f. Develop a high-performance culture.
- g. support the achievement of business goals through high performance;
- h. reward people according to what the organization values;

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy.

### **2.3 Reward Philosophy**

Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy (Longo, 2011).

### **2.4 The Multi-Dimensionality of Reward**

Reward is a broad construct that can include 'anything an employee may value and desire that an employer is able or willing to offer in exchange for employee contribution. A conceptual distinction can be made between the three main constituents of reward - type, system, and criterion (Chiang & Birtch 2006).

Reward type refers to the nature of the reward itself (e.g., financial and non-financial; extrinsic and intrinsic). Reward system represents the method or mechanism (e.g., seniority-based, performance-based) by which organizations determine employee rewards. Reward criterion then, refers to the basis of allocation (i.e., individual, group or organizational basis) used to determine the reward (Chiang & Birtch, 2006).

## **2.5 Types of Reward**

According to Luthans (2000), cited in (Aktar, Sachu, & Ali, 2012) there are two basic types of rewards: financial and non-financial rewards and both can be utilized positively to enhance performance behaviors of employees.

### **2.5.1 Financial Rewards**

According to (Aktar, Sachu, & Ali, 2012) financial rewards means pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. It comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits. Financial rewards are monetary incentive that an employee earns as a result of good performance. All financial rewards are extrinsic.

### **2.5.2 Non-Financial Rewards**

Non-financial rewards are non-monetary and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non-financial reward is also called materials awards (Neckermann & Kosfeld, 2008). Non-financial rewards do not involve any direct payments and often arise from the work itself. For example recognition, achievement, autonomy, scope to use and develop skills, training, career development opportunities and high-quality leadership.

### **2.5.3 Extrinsic Rewards**

According to Mansor, Borhannuddin, & Yusuf, 2012 extrinsic rewards are defined as those remuneration factors that are external to the job such as pay, work condition, security, benefits, promotion, contract of services and work environment. Extrinsic rewards drive employee's morale and the rewards distribution has always loomed

large in corporations with performance appraisals in present eras of globalization. An extrinsic reward in fact fulfills employees' extrinsic factors or hygiene factors, invariably discouraging him from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted.

#### **2.5.4 Intrinsic Rewards**

According to Ryan and Deci (2000) cited in (Mansor, Borhannuddin, & Yusuf, 2012) intrinsic reward is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence. It fulfills employee's intrinsic factors or motivators, thus motivating him. *Examples* include by giving challenging task, getting involved in decision making process, giving a higher rank in hierarchy etc.

All these rewards do not require any increase in salary but the employee is still being motivated, feeling a sense of satisfaction of being given the opportunity of working at a higher management rank. An intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her.

According to Thomas 2009 the following are descriptions of the four intrinsic rewards and how workers view them:-

a. **Sense of meaningfulness**: This reward involves the meaningfulness or importance of the purpose you are trying to fulfill. You feel that you have an opportunity to accomplish something of monetary or non-monetary value and something that matters in the larger scheme of things. You feel that you are on a path that is worth your time and energy, giving you a strong sense of purpose or direction.

b. **Sense of choice**: You feel free to choose how to accomplish your work, how to use your best judgment to select those work activities that make the most sense to you and how to perform them in ways that are appropriate. You feel ownership of your work, believing in the approach you are taking and finally feeling responsible for making it work.

c. **Sense of competence:** You feel that you are handling your work activities well that your performance of these activities meets or exceeds your personal standards, and that you are doing good, high-quality work. You feel a sense of satisfaction, pride, or even artistry in how well you handle these activities.

d. **Sense of progress:** You are encouraged that your efforts are really accomplishing something. You feel that your work is on track and moving in the right direction. You see convincing signs ahead that things are working out well, giving you the confidence in the choices you have already made now and in the future.

According to Gilley, Gilley, Quatro, & Dixon, 2009 an intrinsic reward is a self-administered motivational stimulus. In short, it is a reward that comes from inside the employee, and is thus experienced by the employee as a natural by-product of performing certain tasks/jobs.

## **2.6. Reward Systems**

Reward system contains all elements of reward such as policies, practices, Processes, Procedures, and structures. The formal reward systems in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance Stephen B 2005. This approach to achieving the aim of reward management as described above are incorporated in the reward system of an organization. The key to an effective reward system is an understanding of what it is that employees need and expect from the work situation (Collings & Wood 2009).



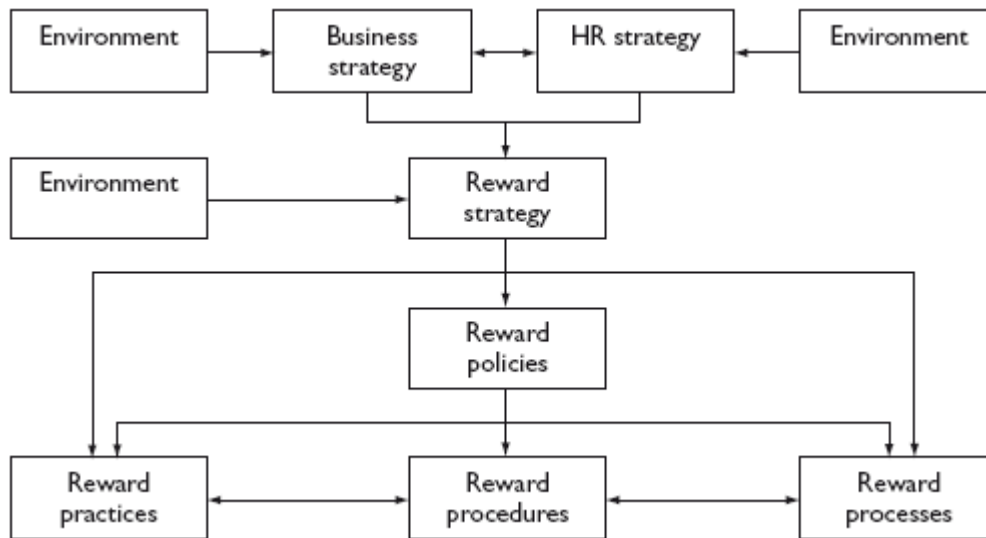


Figure 2.1, how a reward system operates source (Armstrong 2010)

Reward systems are based on the reward strategy, which flows from the business strategy, for example to gain competitive advantage, and the HR strategy, which is influenced by the business strategy but also influences it. The HR strategy may, for example, focus on resourcing but it should also be concerned with satisfying people as well as business needs. All these aspects of strategy are affected by the environment.

Reward strategies direct the development and operation of reward practices and processes and also form the basis of reward policies, which in turn affect reward practices, processes and procedures.

In general, Reward systems are very crucial for an organization. Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance. The only way employees will fulfill the employers dream is to share in their dream.

## **2.7 Reward Practices**

### **2.7.1 Salary/Pay**

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or the level of skill required (Armstrong 2010).

It is the least amount of remuneration that an employee in a given position can receive. Martin (2010) emphasize that the base pay is the salary that an employee receive and it does not include incentive benefits and pays. Where basic pay is given to employee based on the employees skill levels and on the experience. Pay rise is an increase in the amount of salary or hourly pay that employees receives for work performed in an organization. Organizations provides raise for employees in a number of different ways and verity of reason.. Employees who receive a large bonus will likely want to get it next year too. On the other hand, employees who receive a miserly bonus and it reflect how the company assessed their performance, might consider improving next year (Finkle 2011).

### **2.7.2 Employee Benefits**

According to Martin 2010, employee benefits are the range of additional rewards that are provided to employees by an employer as part of their total remuneration packages. Employee benefits refer to compensation other than hourly wage or salary. Three fundamental roles characterize benefits: protection programs (income and health, respectively), paid time-off, and accommodation and enhancement benefits.

Protection programs provide family benefits, promote health, and guard against income loss caused by catastrophic factors like unemployment, disability, or serious illnesses.

Paid time-off policies compensate employees when they are not performing their primary work duties, such as during vacation, holidays, and bereavement.

Accommodation and enhancement benefits promote opportunities for employees and their families. There is a wide variety of programs, including stress management

classes, flexible work schedules, and tuition reimbursement (Stone & Stone-Romero, 2008).

The employee benefits include:-

- a) Fringe Benefits - this can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services (Ingham 2007).
- b) Health Benefits - most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered (Ingham 2007).
- c) Flexible benefit - this benefit schemes allow employees to decide on the make-up of their benefits package within certain limits (Tina Stephens 2005).

### **2.7.3 Promotion**

A job promotion may be the result of an employee's proactive pursuit of higher ranking or as a reward by employers for good performance. Promotion is an important feature of employee's life style and occupation, affecting other job experience levels and can have an obvious impact on other job aspects like job attachment and responsibilities. Additionally, promotion can influence the instrument of exerting better attempts, if employees put an important value on it. If not, the companies would focus on pay increase to reward high effort and productivity. Indeed, the employees may be worth the promotions since they make an increase in job services (Gohari, Ahmadloo, Boroujeni, & Hosseinipour, 2013).

### **2.7.4 Recognition**

Recognition is to acknowledge someone before their peers for desired behavior or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Njanja, Maina, Kibet, & Njagi, 2013).

Recognition is one of the most powerful methods of rewarding people. They need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated (Stredwick, 2005).

The recognition should be meaningful, but also stay within established program boundaries: For example, recognition should be given only for performance considered over and above established standards. Recognition rewards usually are relatively small and are given at the time of achievement (Ruddy, 2007).

The most common strategies of recognition programs according to (Ruddy, 2007) are:

- i. Rewarding employees for making exceptional contributions above and beyond their daily job functions.
- ii. Strengthening employee morale.
- iii. Increasing retention.
- iv. Tying performance to the company's mission.

According to Shore (1995), cited in (Khan, Shahid, & Nawab, 2013) employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for.

### **2.7.5 Working Conditions**

The physical environment in which the work is performed is described here. Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professional and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included (Ruddy, 2007).

Working conditions is defined by criteria such as:

- a. Physical effort
- b. Working environment
- c. Sensory attention
- d. Physical risks.

## **2.8. Employees' Performance**

Employee performance means a performance comprises an event in which normally one group of people the performer or performers act in a particular way for another group of

people (Chaundary & Sharma, 2012). It refers to employees' efficiency at work, How well employees perform on the job and assignments assigned to them measured against the generally accepted measure of performance standards set by their companies (Torrington, 2008).

According to (Torrington, 2008), performance management is the means of getting better results by understating and managing performance with in an agreed framework of planned goal, standards and competency requirement. Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set the rewards system to evaluate the employee's performance at all levels and rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically (Aktar, Sachu, & Ali, 2012).

## **2.9. Reward and Employees Performance**

Reward and performance are the two sides of a single coin. According to Gomez-Mejia, Balkin, & Cardy (2005), outlined that the main objectives of any compensation and performance system is to motivate employees to work harden and help managers to decide who should be paid more based on individual contribution respectively. Employees should be aware of the relationship between how they perform and the rewards they get. Organizations should apply performance management programs which assist in planning employee performance, monitor performance by effecting proper measuring tools.

As markets become more competitive on a global scale it is increasingly crucial to maximize the performance of the workforce to maintain the market position (Winfield, Bishop, & Porter, 2004).

Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington

and Hall, 2006). Rewards those are associated with the job itself, such as the opportunity to perform meaningful work, complete cycles of work, see finished products, experience variety, receive professional development training, enjoy good relations with coworkers and supervisors and receive feedback on work results (Gilley, Gilley, Quatro, & Dixon, 2009).

Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance (Njanja, Maina, Kibet, & Njagi, 2013).

## **2.10 Theories of Reward System**

### **2.10.1 Vroom's Expectancy Theory**

Vroom suggested that individuals will choose behaviors they believe will result in the achievement of specific outcomes they value. In deciding how much effort to put into work behavior, individual are likely to consider three things; valence, instrumentality and expectancy.

All these factors are often referred to as 'VIE' and they are considered to influence motivation in a combined manner. Managers should therefore attempt to ensure their employees that increased effort will lead to higher performance which will hence lead to valued rewards (Njanja, Maina, Kibet, & Njagi, 2013).

Vroom's (1964) expectancy theory is helpful in emphasizing the complexity of individual thought processes which may or may not lead to action. It is suggested that assessments, firstly of whether effort is likely to result in achievement of a specific task and whether success in the task will lead to the individual's desired personal reward precede any possible action. It is this calculative thought process and the fact that the individual's desired reward may not be money that emphasizes the complex nature of an effective reward system (Collings & Wood, 2009).

Expectancy theory (Vroom, 1964 and Porter and Lawler, 1968), which states that motivation, will be high when people know what they have to do to get a reward,

expect that they will be able to get the reward and expect that the reward will be worthwhile.

### **2.10.2 Adam's Equity Theory**

Equity theory centers on the importance of feelings of fair treatment and the possible behavioral manifestations which may result from perceived inequity. This theory highlights the fact that individuals make comparisons and that feelings of unjust treatment in comparison with fellow employees may result in withholding effort, restricting output, reducing cooperation and even withdrawal (Collings & Wood, 2009).

Equity theory (Adams, 1965), which states that people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated.

## **2.11 Perception of Employees**

According to Babakus (2003), cited in (Khan, Shahid, & Nawab, 2013), the perceptions that employees have with regards to their reward climate influences their attitudes towards their employees. In addition, the commitment of managers towards their organization is also shown by how the manager rewards his/her employees. And Gouldner (1960) cited in (Khan, Shahid, & Nawab, 2013), mentions the norm of reciprocity, which focuses on the ability of organization to accommodate the needs of their employees, and reward them for their efforts.

## **2.12 Factors that Influence a Company's Reward Systems**

A given reward system is affected by various internal and external factors. Only some of the factors that are directly relevant to the study will be mentioned; mainly the internal factors. Source of internal factors are within the company. These are the company's reward

philosophy, organizational culture, organization's financial performance, employees' perception, and others. External factors are beyond the control of the organization. These are the labor market, level of competition, economic condition etc.

### **2.13 Criteria for an Effective Reward System**

It has clearly defined and achievable According to (Armstrong, 2010), the criteria for an effective reward system include the following:-

- a. It supports the achievement of business goals.
- b. It takes account of the needs of employees as well as those of the organization and its other stakeholders.
- c. Objectives.
- d. It can be turned into actionable programs that anticipate implementation requirements and problems.
- e. It is coherent and integrated, being composed of components that fit with and support each other.
- f. It provides a framework within which consistent reward decisions can be made.

### **2.14 Empirical Studies**

The model is constructed based on a reward system comprising both financial and non-financial rewards in order to reward high performers.

Danish and Usman (2010) study to determine the impact of reward and recognition on job satisfaction and motivation of employees from both private and public sectors organizations in Pakistan found that rewards and recognition were positively related with motivation. They conclude that effective rewards management leads to increase employee motivation and commitment.

Extensive research has been conducted on the factors that affect motivation, job satisfaction and job performance. Wyatt's 2005 survey of Canadian strategic rewards and pay practice found that employees are seeking to adapt reward strategies that provides a competitive advantage by attracting top talents and engaging employees in a way that drive business result. The survey found that 77% of organizations have either adapted a total



reward strategy or plan to do so. While employers are seem satisfied with their performance and reward efforts, the western wyatt work Canada 2005/2006 study shows that only 24% of employees believe that excellent performance is rewarded at their company.

Mendonca (2002) also sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive by motivating employees to achieve organizational success.

(Armstrong, 2010), he also noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

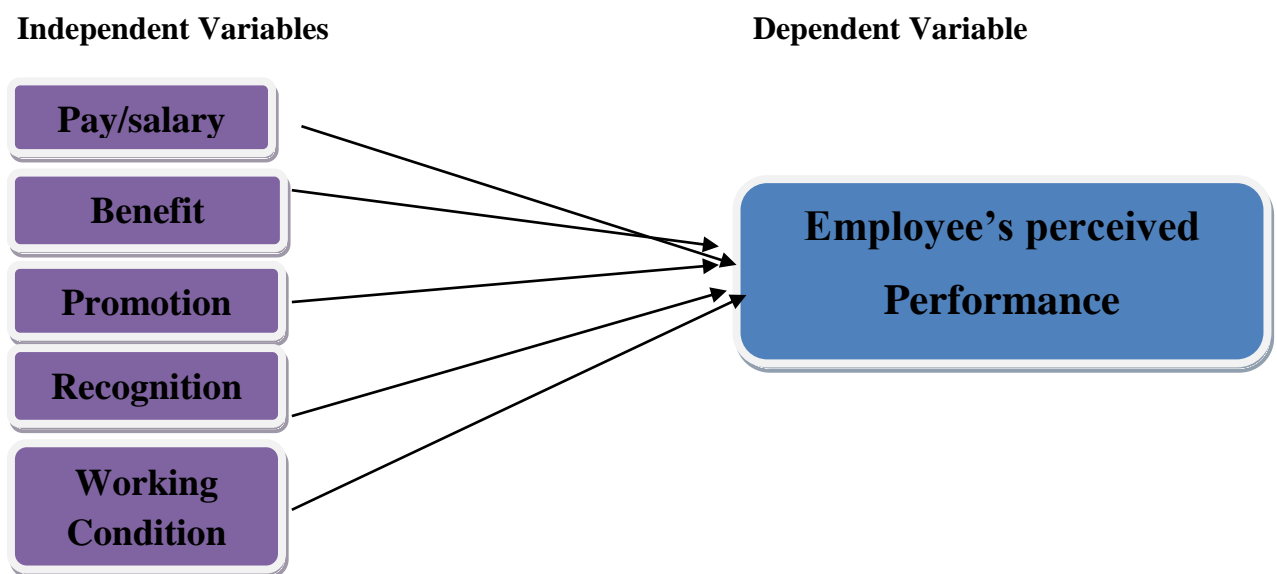
Khan (2010) analyzed the role reward plays in motivating employees of commercial bank of Kohat, Pakistan. His specifically analyzed the valiance explained by predictor variable (payment, promotion, benefit, and recognition) in criterion variable (employee motivation). He notes that commercial banks play important role in worldwide economy and their employees are the best sources of delivering good services to their customers. Excellent services provided and offered by employees can create a positive perception and ever lasting image in the eyes of banks' customers. His found that employee work motivation in commercial bank of Pakistan in the form of payment, promotion, recognition, and benefits led to higher productivity and that among the four independent variables promotion has greater effect in productivity.

In Ethiopia context Melaku habte (2016) study are the impact of intrinsic and extrinsic reward on employee motivation between public and private bank. The major finding of his study reveles that public commercial bank employee's in Ethiopia motivated by intrinsic rewards more than the private commercial bank employees, while private sector commercial bank employees in Ethiopia motivated by the extrinsic reward more than the public sector commercial bank employees.

Total reward could be used to manage and motivate people by thoroughly understanding the relative significance placed on the various aspect of the reward proportion and applied

the well-designed total reward strategy effectively. According to (Armstrong & Stephen, 2006) total reward is seen as the combination of both the financial and non-financial rewards made available to the employees.

The above studies have dealt with reward in organizations and its relationship with factors such as employee motivation, satisfaction, employee performance, and effect of quality of work done. Overall the studies show reward to have positive effect. However, different rewards seem to have a different impact on employee attitude, satisfaction, and performance. There are mixed findings when it comes to individual rewards and their effect of performance. Therefore, the researcher assumes that the reason for organizations for not obtaining the required performance from its employees might be due to the difference in the expectation of the employees and in what have been actually provided to them, the study wants to analyze how the reward practices being provided to the employees were affect their actual performance and which types of rewards influence them more and also what kind of perception workers have towards the reward practices.



**Figure 2.2, Conceptual Framework (Self-Developed)**

In this study applied independent and dependent variables in order to put the research into practice. These dependent and independent variables are shown in the conceptual framework. Therefore the independent variables are monetary and non-monetary reward such as: pay/salary, benefit, promotion, recognition and working environment and the employee performance was being taken as the dependent variable for the study.

## **2.15 CHAPTER SUMMARY**

This research topic is based on the effect of reward systems on employee performance and key issues and concepts relating to this have been explored in the critical review of literature.

In establishing an effective reward system within your organization and cultivating a culture towards continuous improvement and efficiency, backing this up with the appropriate level or combination of rewards at that particular point in time is important.

There is certainly no “one size fits all” approach to the type of reward system to apply within your organization, but the timing of that reward system and the dynamics of the staff will be vital to its success. In this sense an effective reward and recognition structure will provide a transparent means to get the most for your employees while cultivating a positive work environment. As Armstrong (2012, P.324) highlights, high performers are usually highly motivated. However, it has been argued that extrinsic rewards may erode intrinsic interest and the working for just money may lead to a less motivated or pleasurable environment. It is the combination of rewards targeted in the right way and to the right individual or group that will improve performance the most.

It can be concluded that today, it is generally accepted that a combination of rewards from a total rewards perspective is the most effective approach to take within an organization. Much of the published literature is now focused around a more comprehensive approach to how we reward our employees. The standard motivation theories are still applicable in today's organization and as these theories are complementary to one another, they can also complement employee engagement and thus, performance.

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Research Design**

Saunders et al. (2007) defines research design as the general plan of how the research questions and research problem would be answered. It is the conceptual structure with in which research is conducted. It constitutes a blue print for the collection, measurement, and analysis of data.

This study was adopting a descriptive study. Descriptive research design was used in order to understand and systematically describe the reward practice of CBE since it is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation. The study was use a cross-sectional quantitative study of Commercial Bank of Ethiopia. Cross-sectional surveys are studies aimed at determining the frequency or level of particular attribute in a defined population at a particular point in time (Lotta, 2012). This has helped the researcher to suggest solutions to the problems identified in the organizations. This type of research design helps to portray accurately the characteristics of a particular individual, situation or a group (Creswel, 2003).

#### **3.2 Research Participants/Population**

Clerical and managerial staffs of the bank were subjects for the study. These staffs include customer service officers, branch controller, customer relation officer, customer service managers, branch managers, and head office staffs working in the CBE to provide the necessary variety of information required for the study, since clerical employees are mainly engaged to day-to-day major business activities of the bank.

While the non-clerical staffs in CBE were not considered because majority of such employees are not literate and lacks basic understanding on how to fill questionnaires and openly participate in the study, so the researcher didn't consider such group of employees. Also employees of less experience or who worked in the bank for less than one year were

not included since they are recently employed, the employees have no significant understanding of the banks compensation and benefit management process and due to the recently merging process of Construction and Business Bank employees are not included in the study because of the employees have not significant understanding of the reward practice of CBE.

The research participants or the population of the study were limited to employees of the CBE, but only branches of the bank which are located in Addis Ababa were surveyed, due to the difficulty that the researcher had faced while administering the questionnaire distributed. The branches and the employees was selected randomly since the employees of the bank working in one branch can be represented by the others because there is same level or job grade and position in all branches of the bank.

**Table 3.1, Total Number of Employees in Commercial Bank of Ethiopia**

Employees in Commercial Bank of Ethiopia					
Public Banks		clerical	Non-clerical	<b>Total</b>	
CBE's Employees	<i>City branches</i>	6210	873	<b>7083</b>	<b>24748</b>
	<i>Regional branches</i>	15,907	1,758	<b>17665</b>	
CBB's Employees	<i>City branches</i>	885	172	<b>1057</b>	<b>3085</b>
	<i>Regional branches</i>	1450	578	<b>2028</b>	
Total population					<b>27833</b>

Source: - (CBE Portal Report December, 2016)

As the researcher tried to indicate in the above table, the total number of employees working in CBE is 27833 as of June 31, 2016 (CBE Portal Reports). The employees who had been working in CBE city branches and have an experience of less than one year reaches a total of i.e. 1942, CBB staffs, non-clerical staffs, and CBE regional branches those which were excluded due to the reason related to their understanding of the banks compensation and benefit management process and the study concentrate on CBE city

branches. Since this research covered those employees who are clerical and who have been working in those branches which are located in capital city of Addis Ababa, the target population of the study reaches a total of 4268.

### 3.3 Sample Size and Sampling Technique

#### 3.3.1 Sample Size

To get a representative sample for the population under the study the following sample technique were utilized. Yamane (1967:886) provides simplified formula used to calculate sample size is shown below.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N= population size take

n= sample size

e = margin error of the study set at 5%

then

$$n = \frac{4268}{1 + 4268(0.05)^2}$$

$$= \frac{4268}{1 + 10.67} = 366 \text{ staff employees}$$

Based on the above information, the sample size (n) is calculated for the target population of 4268 and it is 366. Therefore, the study's sample sizes of 366 were considered to represent the population.

The sub sample of size for randomly selected 10 branches was determined using the formula by Krecjie and Morgan, (1970) proportional allocation for branches and head offices as follow:

$$s = \frac{XS}{P}$$

P Where; s= Sub sample size for each branch

X=Population of employees in each branch

S=Total sample size for the study

P=Total population

Based on this formula, a total sample size of 366 respondents was used and proportional allocation for branches and head offices employees as follow:

**Table 3.2, Proportional Allocation for Branches and Head Offices Employees**

No.	Branch	Respondents
1	Addis Ababa	84
2	Addisu Micheal	6
3	Affrica Avenu	15
4	Arada Giorgis	20
5	Head Office	82
6	Megenagna	46
7	Merkato	18
8	Saris	42
9	Sengatera	22
10	Tewodros	31

### 3.3.2 Sampling Technique

The researcher was use a simple random sampling method to select the sample for the study. Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process. The branches and the employees were selected randomly since the employees of this bank working in one branch can be represented by the others because there is same level or job grade and position in all branches of the bank.

### **3.4 Source and Instruments of Data Collection**

To fulfill the purpose of the study, the researcher used or gathered both primary and secondary data.

Primary data were collected from the samples selected i.e. the employees, by the use of questionnaire as a method for data collection. The questionnaire was developed from different sources which were found to be appropriate for the study. The questionnaire method as instrument of data collection was used because it provides wider coverage to the sample and also facilitates collection of a large amount of data. The questionnaire contained closed ended questions and it was administered by the researcher. Employees of the bank were taken to serve as the main source of primary data.

Secondary data on the company's records and on the previous works conducted in the subject matter were collected mainly from books, journals articles, memos, bulletins and companies manuals and websites.

### **3.5 Methods of Data Analysis**

After the questionnaires had been collected the researcher check if there were unintended participants who had filled the questionnaire distributed to the samples and had organized the returned questionnaire. Then the researcher performed the analysis process for the collected valid data using Statistical package for social science (SPSS) version 20.

Descriptive and inferential statistics were employed for the data analysis process. The descriptive statistics includes frequencies, percentages, means and standard deviation. The inferential statistics (correlation analysis and regression analysis) were used to test the hypothesis developed. Tables were also used to ensure easily understanding of the analysis.

### **3.6. Validity and Reliability of the Research Instrument**

The analysis of data should be sufficiently adequate to reveal its significance and the methods of analysis used should be appropriate. The validity and reliability of the data were checked carefully. Validity and reliability of scores on instruments, additional standards for making knowledge claims, lead to meaningful interpretations of data.



### **3.6.1. Validity**

Validity refers to the extent to which the measurement instrument actually measures what it intended to measure. It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers an account (Creswel, 2003).

(Kothari, 2004), validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure.

In order to ensure the quality of this research design content validity of the research instrument was checked. The content validity was verified by the advisor of this research, who looked into the appropriateness of questions and the scales of measurement. Peer discussion with other researchers was also conducted since it is another way of checking the appropriateness of questions. Moreover, copies of the questionnaire were distributed to twenty respondents as a pilot test. This was done to find out whether the developed instruments measures what it was meant to measure and also to check the clarity, length, structure, and wording of the questions. This test also helped the researcher to get valuable comments to modify some questions.

### **3.6.2. Reliability**

Reliability has to do with the accuracy and precision of a measurement procedure. When instruments are robust and perform well at all times under different conditions.

Cronbachs alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation, the closer the reading of Cronbach's Alpha to digit 1, the higher the reliability is in internal consistency. In general, reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable and those over 0.80 good. (1).

Cronbach's Alpha was calculated to test the reliability of the research instrument. The researcher used this measurement to know the instruments are consistent based on time and conditions of the instrument.

**Table 3.3, Reliability Analysis for the Independent Variables**

<b>Variables</b>	<b>Cronbach's Alpha</b>
Pay/Salary	.795
Benefit	.892
Promotion	.783
Recognition	.913
Working Condition	.817

Source: (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

**Table 3.4, Reliability Analysis for the Dependent Variable**

<b>Variables</b>	<b>Cronbach's Alpha</b>
Employee performance	.919

Source: (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

Therefore, according to the above statistical interpretation this indicates that the reliability of the scales is very good depicting a strong internal consistency among the measurement items and the selected instrument can accurately measure the variables of the study.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND PRESENTATION

The data collected from Commercial Bank of Ethiopia using questionnaires are presented and analyzed in this chapter. This section of the study deals with the statistical testing of hypothesis and interpretation of the result making use of SPSS version 20 software.

As stated in the previous chapters of this paper, questionnaire were designed and distributed to a total of 366 employees of Commercial Bank of Ethiopia. Accordingly, 333 questionnaires were appropriately filled and returned which gives 91% return rate that is assumed to be suitable for further analysis. The first part of the questionnaire consists of sex items about the demographic information of the respondents. It covers the personal data of respondents, such as gender, age, educational qualification, year of service and the like. The following tables and figures reveal the total demographic characteristics of the respondents.

#### 4.1 Demographic Profile of Respondents

**Table 4.1, Demographic Profile of Respondents**

<b>Variables</b>	<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>	Male	231	69.4
	Female	102	30.6
	<b>Total</b>	<b>333</b>	<b>100.0</b>
<b>Age</b>	<25 years	30	9.0
	25-30 years	194	58.3
	31-35 years	55	16.5
	36-40 years	13	3.9
	41-45 years	39	11.7
	>45 years	2	.6
	<b>Total</b>	<b>333</b>	<b>100.0</b>

<b>Education</b>	Diploma	13	3.9
	First Degree	208	62.5
	<i>Master Degree</i>	112	33.6
<b>Year of service in the bank</b>	1-4 years	173	52
	5-9 years	118	35.4
	16-20 years	42	12.6
<b>Position of the employee</b>	Managerial	68	20.4
	<i>Non managerial</i>	265	79.6
<b>Salary of the employee</b>	2000-3500	7	2.1
	3501-5000	9	2.7
	5001-6500	206	61.9
	<i>Above 6000</i>	111	33.3

As shown in the above table, of the respondents 69.4% (231) were male and the remaining 30.6% (102) were females. With regard to respondents` age category, 194 (58.3%) of the respondents fall under the age category of 25-30. The next higher groups were 55 (16.5%) and 39 (11.7%) fall under age categories of 31-35 and 41-45 respectively. The remaining group 30 (9%), 13 (3.9%) and 2 (0.6%) were under the age categories of below 25, 36-40 and above 45 years respectively.

The above figure demonstrates educational background of the respondents. Accordingly, 208 (62.5%) of the total respondents were holders of First degree followed by Masters Degree 112 (33.6%). And only 13 (3.9%) diploma holders were found from the total respondents.

As shown in the above table, the first item shows the tenure of respondents. Accordingly, 173 (52%) of the respondents have year of service from 1-4 years, followed by 118 (35.4%) respondents with having length of service from 5-9 years and. The remaining 42 (12.6%) respondents belong to groups 16-20 years. And regarding the current position of respondents 68 (20.4%) of them were working in the managerial position and the remaining 265 (79.6%) fall under the category of non-managerial position.

With regard to respondents' salary range, out of 333 respondents 7 (2.1%) of them earn a salary between the range of 2000-3500 and the other group of respondents' i.e. 9 (2.7%) fall under the salary range of 3501-5000. The remaining 206 (61.9%) and 111 (33.3%) of the respondents earn a salary range of 5001-6500 and above 6500 respectively.

#### 4.2. Employees Response on the types of Rewards Practice Provided

**Table 4.2, Participants Response on rewards practice provided**

Items		Very Poor	Poor	Average	Good	Very Good	Total
<b>Pay\salary</b>	<b>No.</b>	50	27	124	132	-	333
	<b>%</b>	15	8.1	37.2	39.6	-	100
<b>Benefit</b>	<b>No.</b>	25	24	25	206	53	333
	<b>%</b>	7.5	7.2	7.5	61.9	15.9	100
<b>Promotion</b>	<b>No.</b>	111	172	44	6	-	333
	<b>%</b>	33.3	51.7	13.2	1.8	-	100
<b>Recognition</b>	<b>No.</b>	58	161	114	-	-	333
	<b>%</b>	17.4	48.3	34.2	-	-	100
<b>Working condition</b>	<b>No.</b>	-	15	109	193	17	333
	<b>%</b>	-	4.5	32.4	58	5.1	100

Accordingly, in the first item i.e. pay/salary 132(39.6%) of the total respondents agrees that the practices are good and also 124 (37.2%) of the respondents said its average and only 50 (15%) of the respondents think that the pay/salary provided to them is very poor. Basic pay is given to employees based on the employees' skill levels and on the experience. This implies that most of the employees are satisfied and the next higher groups are average in the bank salary/pay structure. Regarding benefit, 206 respondents out of 333 i.e. 61.9% mentioned that the benefit practice is good and 53 (15.9%) of the participants says it is very good. About the respondent who says the benefit package available at the bank is poor it reaches 24 (7.2%). Employee benefits are the range of additional rewards that are provided to employees by the bank as part of their total remuneration packages. This implies that the benefit packages (pension, medical scheme, and leave) provided to the employees is found to be attractive and most of the employees are satisfied.

The third item is promotion and 172 (51.7%) and 111 (33.3%) of the participants says the promotion practice at the bank is poor and very poor respectively. While, 44(13.2%) of them stays on average. A job promotion may be the result of an employee’s proactive pursuit of higher ranking or as a reward by the bank for good performance. This indicates that employees in the bank are not satisfied with the promotion opportunity provided by the organization and the opportunities that the bank offers for advancement is very low.

For the fourth item which is recognition, most of the respondents says it is poor i.e. 161 (48.3%) and 58(17.4%) says it is very poor and 114 (34.2%) respondents shows average on the idea. It is special awards for employee achievement. They need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated. This result shows that the recognition for a good job performance provided by the organization is not attractive for the employees.

For the last item, 193 respondents i.e. 58% out of the total 333 participants mentioned that the working condition in the organization in which they perform their job is good. This is followed by 109(32.4%) of respondents says the working condition is average. Comparing the two the working condition/ environment in which employees are required to perform the work is said to be attractive.

#### 4.3. The Effect of Reward Practices in Employees’ Performance

**Table 4.3, Employees Response on the Effect of Reward Practices**

Item		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Total
The reward practice at the bank focuses on the real needs of employees	No.	107	134	84	8	-	333
	%	32.1	40.2	25.2	2.4	-	100
Employees are rewarded in the organization immediately when they perform best	No.	88	150	81	13	1	333
	%	26.4	45	24.3	3.9	.3	100
The rewards distributed at the organization have a positive effect on the work atmosphere/ environment	No.	-	-	44	203	86	333
	%	-	-	13.2	61	25.8	100
The rewards at the organization are distributed fairly	No.	12	73	65	157	26	333
	%	3.6	21.9	19.5	47.1	7.8	100

<b>Item</b>		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>
The rewards distributed matches my work effort	<b>No.</b>	58	94	134	38	9	333
	<b>%</b>	17.4	28.2	40.2	11.4	2.7	100
Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future	<b>No.</b>	-	10	14	189	120	333
	<b>%</b>	-	3	4.2	56.8	36	100
I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards	<b>No.</b>	36	75	116	105	1	333
	<b>%</b>	10.8	22.5	34.8	31.5	.3	100
The organization's reward practices compensate excellent performer more than average performer.	<b>No.</b>	43	114	96	27	53	333
	<b>%</b>	12.8	34.4	28.8	8.1	15.9	100

The above table demonstrates the respondents of employees regarding the effect of reward practices in the organization. Item no. 1, indicates that 134(40.2%) of the respondents disagree and 107 (32.1%) shows strongly disagree with the idea, that shows the reward practice of the bank do not focuses on the real needs of employees. And for the second item 150(45%) and 88(26.4%) of the respondents disagree and strongly disagree that employees are rewarded in the organization immediately when they perform best, while 13(3.9%) and 1(.3%) of the respondents agrees and strongly agree respectively.

The third item is about whether the rewards distributed at the organization have a positive effect on the work atmosphere/ environment and as the result 203(61%) of the respondents agreed about the positive effect and no one of them disagree and strongly disagree respectively about the positive effect reward have on the work atmosphere/environment. This indicates that majority of the employees have good attitude towards the reward practice and its effect on the work environment in which they have to perform.

Item no. 4 indicates that the majority respondents i.e. 157(47.1%) have agreed suggestions with the rewards provided in the organization are distributed fairly, followed by 73(21.9%) who disagrees. Equity theory (Adams, 1965), which states that people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably. This indicates that fairly large numbers of employees do have a positive attitude that they are rewarded fairly in the bank.

In the fifth item the majority respondents i.e. 134(40.2%) showed their neutral regarding the idea neither the rewards provide matches their work effort or not and 94(28.2%) of the respondents disagrees and 58 (17.4%) strongly disagree with the idea. This implies that the reward provided in the bank doesn't match the work effort of the employees but the rewards provided to them matches their work effort, employees should reciprocate by increasing their commitment towards their organization and their work.

For the sixth item 189(56.8%) and 120 (36%)of the respondents are agrees and strongly agree at the same time and this shows that rewarding employees immediately after achieving best performance will be helpful in order to encourage them to repeat that performance in the future. Companies use to reward their employees' by measuring performance during the year under appraisal. But there is also the unspoken expectation that this reward will be a factor in motivating employees' performance next period well.

In item no. 7, 116 (34.8%) of them were indifferent and this is followed by 31.5% of the respondents who agrees i.e. 105 out of the total 333 and 75(22.5%) of them disagrees. Still the ones who agree are more than those who disagree which implies that they have good attitude towards the quality of the reward practices being provided to them and they are satisfactory.

For the last item, 114 respondents i.e. 34.2% out of the total 333 showed their disagreement the reward practices provided does not compensate excellent performer more than an average performer and only 27 (8.1%) of the respondents agrees. This implies that the reward practices being implemented in the bank there is no consider performance level of employees and it gives for the same compensate reward packages for higher performance and the average performance of employees.



#### 4.4. The Influence of Reward Practice

##### 4.4.1 Pay/Salary

**Table 4.4, Employees Response on Pay/Salary**

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
My salary is satisfactory in relation to what I do	No.	16	48	54	176	39	333
	%	4.8	14.4	16.2	52.9	11.7	100
The amount of basic pay I receive is fair relative to the industry's average	No.	53	-	87	153	40	333
	%	15.9	-	26.1	45.9	12	100
The basis of payment, for example overtime payment is reasonable	No.	45	47	105	99	37	333
	%	13.5	14.1	31.5	29.7	11.1	100
Salary adjustment/increment is made within a reasonable / logical time period	No.	67	108	85	45	28	333
	%	20.1	32.4	25.5	13.5	8.4	100
Salary increments are made based on the performance results of workers	No.	30	174	73	42	14	333
	%	9	52.3	21.9	12.6	4.2	100
Salary increment made for high performers will encourage others to perform more	No.	22	-	17	165	129	333
	%	6.6	-	5.1	49.5	38.7	100

For the question whether the salary is satisfactory in relation to what they do, large number of respondents showed their agreement with the idea. Out of the total 333 respondents, 176 (52.9%) said that they are agree and 48 (14.4%) of them disagree. Their overall response shows the majority of the employees' are satisfied with the salary provided to them by the organization. For the second item the majority of the respondents i.e. 153 (45.9%) showed their agreement and the number of respondents who disagree reaches no one, this implies that the amount of basic pay provided by the organization are believed to be fair relative to the industries average.

On the third item, when the respondents were asked about the reasonability of the basis of payment 105(31.5%) were neutral, followed by 99(29.7%) who agrees and 37(11.1%) strongly agree on the idea. This implies that the bank has a little bit well-designed and reasonable basis of payment which is suitable for members of the organization that may have an influence job performance of employees.

For the fourth item, the majority of the respondents i.e. 108(32.4%) showed their disagreement with a big difference with the one who agrees i.e. 45(13.5%). This shows that salary increment/ adjustments are not made within a logical period of time. Similarly for item no 5 majority of employees 174 (52.3%) showed their disagreement and 30(9%) strongly disagree with the idea stated under item no. 5 and only 42(12.6%) out of 333 respondents agreed. This also shows that the salary increments made are not based on the workers performance result.

The last item is whether the salary increment made for high performers will encourage others to perform more. The response shows 165 (49.5%) agrees and 129(38.7%) strongly agrees. This implies that Salary increment made for high performers will encourage others to do their higher performance.

#### 4.4.1. Benefits

**Table 4.5, Employees Response on Benefit**

Items		Disagree	Neutral	Agree	Strongly Agree	Total
The medical and insurance schemes are attractive	No.	-	-	209	124	333
	%	-	-	62.8	37.2	100
The organization's housing loan policy is attractive	No.	-	75	214	44	333
	%	-	22.5	64.3	13.2	100
Provision of attractive housing loan policy will help to retain high performers	No.	63	67	115	88	333
	%	18.9	20.1	34.5	26.4	100
Benefit packages are modified as necessary to ensure organization's competitiveness	No.	-	18	208	107	333
	%	-	5.4	62.5	32.1	100

Item no.1 indicates that the majority respondents i.e. 209(62.8%) agrees on the attractiveness of their medical and insurance schemes. This shows that employees are satisfied with the medical and insurance benefit schemes provided by the organization. And also for item no. 2 indicates that 214 (64.3%) of the respondents agree on the attractiveness of the organizations housing loan policy. In the same way For the last two items i.e. about the attractive housing loan policy helping to retain

high performers and whether the benefit packages are modified as necessary to ensure organizations competitiveness, the majority of the respondents 115 (34.5%) and 208 (62.5 %) for item no 3 and 4 respectively, showed their agreement. This shows that majority of the employees are satisfied with the benefit packages provided by the bank and also they are aware that in order to retain high performers the provision of attractive housing policy will play a vital role.

#### 4.4.2. Promotion

**Table 4.6, Employees Response on Promotion**

Items		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Total
Everyone has an equal chance to be promoted	No.	24	58	79	142	30	333
	%	7.2	17.4	23.7	42.6	9	100
The existence of promotion has no effect the level of performance of my work	No.	112	92	88	40	1	333
	%	33.6	27.6	26.4	12	.3	100
The organization's promotion policy is clearly communicated to all employees	No.	155	34	104	40	-	333
	%	46.5	10.2	31.2	12	-	100

With regard to the promotion provided the result shows there is equal chance to be promoted since 42.6% of the respondents agree to the item i.e. 142 out of the total 333 respondents, 17.4% of the respondents disagree with the idea and 23.7% neutral with the idea. This shows the majority of the respondents agree with there is equal chance to promote. For the second item the majority of the respondents i.e. 112 (33.6%) showed their strongly disagree and 92 (27.6%) showed their disagreement when asked whether the existence of promotion has no effect the level of performance at work, this indicates that the existence of promotion has an effect on the level of performance at work.

For the last item, the majority of the respondents showed their disagreement in number 155 out of the total 333, which is 46.5%, and 40 (12%) of them agreed. This shows that the organizations promotion policy is not clearly communicated to the employees.

#### 4.4.3. Recognition

**Table 4.7, Employees Response on Recognition**

Items of Recognition		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
I get credit for what I do	No.	45	171	42	58	17	333
	%	13.5	38.4	12.6	17.4	5.1	100
I receive constructive criticism (positive feedback) about my work	No.	26	176	56	34	41	333
	%	7.8	52.9	16.8	10.2	12.3	100
The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	No.	28	137	62	69	37	333
	%	8.4	41.1	18.6	20.7	11.1	100
Proper recognition of high performers will encourage low performers to work hard	No.	-	23	-	224	86	333
	%	-	6.9	-	67.3	25.8	100

For the first item the majority respondents i.e. 171(38.4%) claims that they don't get credit when they do their task successfully and the ones who agree 58(17.4%) and the ones who are neutral 42(12.6%), have been observed. This indicates that most of the employees don't get credit for the work they have performed in the organization.

Item no. 2 indicates that the majority respondents i.e. 176(52.9%) disagrees on receiving positive/ criticism feedback regarding their work performance and 56(16.8%) neutral on that, which implies that employees are not getting any positive criticism or feedback regarding their performance. And when the respondents are asked, in item no 3 whether the existence of recognition of good work has encouraged them to work beyond the job requirement the majority of the respondents i.e. 137 (41.1%) showed their disagreement to the item, 28 (8.4%) shows strongly disagree with the idea, and 62 (18.6%) neutral to the idea. This shows that employees in the bank are not being provided with the opportunity to work beyond the job requirement in relation to the existence of recognition for good work. The response for the fourth item indicates that employees will be encouraged to work hard if there is a proper recognition for high performance, since the majority of the respondents i.e. 224(67.3%) agreed on the positive effect recognition have on performance of employees and only 23 (6.9%) of them disagrees.

#### 4.4.4. Working Condition

**Table 4.8, Employees Response on Working Condition**

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
My working hours are reasonable	No.	-	56	68	165	44	333
	%	-	16.8	20.4	49.5	13.2	100
I am never overworked	No.	17	52	80	114	70	333
	%	5.1	15.6	24	34.2	21	100
Creation of conducive work environment will encourage high performers to improve their performance more	No.	-	-	55	109	169	333
	%	-	-	16.5	32.7	50.8	100
The existence of safe working conditions has encouraged me to give sustained high performance at work.	No.	-	17	1	170	145	333
	%	-	5.1	.3	51.1	43.5	100

Item no. 1 in the above table demonstrates that 165 (49.5%) of the respondents agrees on the reasonability of their working hours. This indicates that the majority do not have complained with regard to the number of hours they stay in the work place.

Item no. 2 indicates that the majority respondents i.e. 114 (34.2%) agrees on the existence of fair amount of work volume or work load. This indicates that the employees in the bank are doing not overworked or stressed with too much work to perform or customers to handle.

Item no. 3 indicates that the majority respondents i.e. 169 (50.8%) strongly agrees on the encouragement that the availability of conducive work environment could have on employees to perform higher. This implies that creating conducive work environment in the organization is appropriate in order to encourage employees to improve their performance level. In the same way the majority of the respondents i.e. 170 (51.1%) showed their agreement for the fourth item regarding the existence of safe working conditions and only 17(5.1%) of them disagrees. This shows that employees will have constant or continuous performance if they are provided with a safe working condition in the organization they perform their best.

#### 4.5. Employees Performance

**Table 4.9, Responses on Employee Performance**

Item		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Employees are rewarded based on his/her individual performance.	No.	9	48	45	156	75	333
	%	2.7	14.4	13.5	46.8	22.5	100
The existing benefit package (medical cost coverage..) are helping employees for higher levels of performance	No.	27	22	91	168	25	333
	%	8.1	6.6	27.3	50.5	7.5	100
The banking work environment is good for young employees in enabling them to optimally utilize their skills, knowledge and strong potential	No.	-	29	70	214	20	333
	%	-	8.7	21	64.3	6	100
The organization has a good culture of recognizing employees for successful completion of tasks	No.	88	134	72	39	-	333
	%	26.4	40.2	21.6	11.7	-	100
Performance standards in my organization are clear and easily understandable	No.	58	50	50	125	50	333
	%	17.4	15	15	37.5	15	100
The reward practices have a positive effect on the employees' job performance	No.	-	-	5	185	143	333
	%	-	-	1.5	55.6	42.9	100

As clearly shown on the above table 46.8% of the majority employees are agree on the points that they are rewarded based on their performance, the bank rewarded based on by individual performance, the existing benefit packages are helpful for their performance, the work environment in the bank is good to optimally utilize the skill and knowledge of young employees and they have clear and easily understandable performance standards. This implies that almost all employees do have a good attitude towards the positive effect the reward practices have on their job performance. For the fourth item, the majority of the respondents i.e. 134 (40.2%) showed their disagreement and 88 (26.4%) shows strongly disagree on the idea, which implies that the organization have a poor experience of recognizing employees for successful completion of a task.

#### 4.6. Descriptive Statistics of Reward and Employees Performance

When some concepts are measured by several items (questions), the items can be summarized to calculate the mean values. This is called calculating total scale scores. To conduct the analysis and to test the hypothesis, total scale scores was calculated for each variables of the study as depicted in the below table.

**Table 4.10, Descriptive Statistic**

<b>Variables</b>	<b>No. of Observation</b>	<b>Mean</b>	<b>Std. Deviation</b>
Pay/salary	333	3.21	.615382
Benefit	333	3.75	.318756
Promotion	333	2.52	.669025
Recognition	333	2.74	.739263
Working condition	333	3.94	.456531
Employee performance	333	3.43	.738225

The above table shows the mean and standard deviation of selected reward practices and employee performance given by respondents of the study, when the researcher observe the mean value for salary, it is 3.21, which makes it possible to conclude that most of respondents do have a good attitude towards the pay/salary offered by the bank and most of the respondents are satisfied with the existing salary/pays packages.

The second variable is about the benefit that majority of the respondents agree on the attractiveness of the benefit package provided to them.

The third variable is about the promotional opportunities available for employees; here the mean value is 2.52, which indicates that the majority respondents are not satisfied with the existing promotional opportunities in the organization.

With respect to the fourth variable i.e. Recognition, the mean value 2.74 which implies that majority of the respondents agree on the raised questions regarding the recognition practice of the bank and not satisfied with the existing recognition in the organization.

When coming to the next variable i.e. Working Conditions, the mean value is 3.94, which indicates that the majority of the respondents agrees about the attractiveness of the working condition available in the organization they perform their work.

The last variable on the above table is the dependent variable of the study i.e. Employee performance and its mean value is 3.43 which is close to the mid-point however, this can be understood in a way that a majority of the respondents agrees to the items raised under the employee performance section. And this indicates that most of the employees have a positive opinion regarding the issues of reward practices in relation to employee performance.

When we compare the overall mean values for all variables of the study, promotion and recognition scores are the least one; this indicates that promotional opportunities and being recognized for performing a successful job are not well managed and suitable in the bank. Therefore, the bank needs to work on that in order to improve the performance level of employees.

## 4.7 Correlation Analysis

### 4.7.1 Correlation between Job Performance and the Independent Variables

In this section, the researcher tried to accomplish the goal of the study through applying Pearson’s correlation as it is the most widely used method of measuring the degree of relationship between two variables.

The relationship between two variables will be: a correlation of .10 is described as a small effect size, a correlation of .30 is described as a medium effect size and a correlation .50 is described as a large effect size (Pallant, 2005).

$r=.10$ to $.29$ or $r=-.10$ to $-.29$	small
$r=.30$ to $.49$ or $r=-.30$ to $-.4.9$	medium
$r=.50$ to $1.0$ or $r=-.50$ to $-1.0$	large

Source: Cohen (1988)

The correlation among selected reward practices and employee performance was computed and presented in the table below:

**Table 4.11, Correlation Analysis**



Independent Variables	No. of observations	Pearson Correlation	Sig. (2-tailed)
		Employees performance	
Pay/salary	333	.552**	.000
Benefit	333	.353**	.000
Promotion	333	.461**	.000
Recognition	333	.526**	.000
Working condition	333	.519**	.000

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

#### 4.7.2. Pay/Salary and Employee Performance

H1:- Pay/salary is positively related to Employee Performance.

Ho:- There is no positive relationship between pay/salary and employee performance.

The result on the above table shows that pay/salary ( $r=0.552$ ,  $p<0.01$ ) is positively and significantly related with employee performance. This means an increase or decrease in pay/salary will bring corresponding change in performance of employee. Thus, the null hypothesis is rejected.

#### 4.7.3. Benefit and Employee Performance

H2:- Benefit is positively related to Employee Performance.

Ho:- There is no positive relationship between benefit and employee performance.

From the above table it can be seen that benefit ( $r=0.353$ ,  $p<0.01$ ) is positively and significantly related with employee performance. Implying that a change in the benefit packages provided will have a corresponding change on employee performance. Thus, the null hypothesis is rejected.

#### 4.7.4. Promotion and Employee Performance

H3:- Promotion is positively related to Employee Performance.

Ho:-There is no positive relationship between promotion and employee performance.

From the above table it can be observed that promotion ( $r=0.461$ ,  $p<0.01$ ) is positively and significantly related with employee performance. This means that providing or

withholding promotional opportunities will have a corresponding change on the performance of employee. Thus, the null hypothesis is rejected.

#### **4.7.5. Recognition and Employee Performance**

H4:- Recognition is positively related to Employee Performance.

Ho:-There is no positive relationship between recognition and employee performance.

The above table reports that recognition ( $r=0.526$ ,  $p<0.01$ ) is positively related with employee performance. Implying that change in recognition given to employees for a successful job they perform has a corresponding effect on performance of employees. Thus, the null hypothesis is rejected.

#### **4.7.6. Working Condition and Employee Performance**

H5:- Working condition is positively related to Employee Performance.

Ho:- There is no positive relationship between working condition and employee performance.

From the above table it can be seen that working conditions ( $r=0.519$ ,  $p<0.01$ ) is positively correlated with employee performance. This means that a change in the working conditions will bring corresponding change on the performance of employees. Thus, the null hypothesis is rejected.

### **4.8. Regression Analysis**

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. That is, it allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. The variables under extrinsic and intrinsic types of rewards were entered into regression analysis to determine their relative importance in contributing to the overall performance level of workers. Regression Analysis is used to ascertain the extent of reward practices (pay/salary, benefit, promotion, recognition and working condition) explains the dependent variable (employee performance). Thus the last hypothesis was tested using the regression output.

H6:- Reward practices have a significant effect on the Employee Performance.

Ho: - Reward practices have no significant effect on the Employee Performance.

**Table 4.12, Regression Analysis**

**Coefficients**

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
<b>Constant</b>	.595	.176		3.386	.001
<b>Pay/Salary</b>	.194	.046	.232	4.222	.000
<b>Benefit</b>	.015	.041	.018	3.367	.000
<b>Promotion</b>	.156	.039	.198	3.973	.000
<b>Recognition</b>	.230	.052	.221	4.435	.000
<b>Working Condition</b>	.271	.044	.296	6.136	.000
<b>R= .787</b> <b>R square=.619</b> <b>Adjusted R square= .608</b> <b>Std. Error of the estimate=.626</b>					

*Dependent Variable: Employee Performance*

As illustrated in table above the value of adjusted R square is .619 which indicated 61.9% of changes in employee performance can be accounted for by reward but the remaining change in employees' performance may be accounted for variables other than the variables included in this study.

The above table also depicts the extent to which each independent variables influence the dependent variable. The relative importance of reward types (independent variables) in contributing to the variance of the employees' job performance (dependent variable) was explained by the standardized Beta coefficient. The beta values of the independent variables i.e. pay/salary, benefit, promotion, recognition and working condition are .232, .018, .198, .221 and .296 respectively. Moreover the result obtained from the regression analysis showed that working condition more significant and statistically meaningful when compared with the other variables in terms of enhancing employee performance. This can be understood as a certain improvement on the working condition will increase employee's performance by .296 which is significant. Thus, the null hypothesis is rejected and Reward practices have a significant effect on the Employee Performance.

## **CHAPTER FIVE**

### **5. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter deals with summary of major findings of the study, conclusions and recommendations of possible solutions for the problems identified.

#### **5.1 Summary of Major Findings**

By investigating the relationships between selected reward practices and employee performance and also by quantitatively testing the effect of variables such as pay/salary, benefit, promotion, recognition and working condition on performance of the employee, the following findings were reached.

The demographic result of the study indicates that 69.4% (231) were male and the remaining 30.6% (102) were females. Regarding the respondents' age category, 194 (58.3%) fall under the age category of 25-30. The next higher groups were 55 (16.5%) and 39(11.7%) fall under age categories of 31-35 and 41-45 respectively. The remaining group 30 (9%), 13 (3.9%) and 2 (.6%) were under the age categories of under 25, 36-40 and above 45 years respectively.

The study also indicates the educational background of the respondents. Accordingly, 208 (62.5%) of the total respondents were holders of first Degree followed by MA/MSc holders 112 (33.6%). And only 13(3.9%) Diploma holders were found from the total respondents. In addition it has also been observed that 206 respondents fall under the salary range of 5001-6500 which is 61.9% of the total 333 participants.

The other result observed from the study shows the tenure of the respondents and 173 (52%) of the participants have year of service from 1-4 years, followed by 118 (35.4%) respondents with having length of service from 5-9 years and the other 42 (12.6 %) fall under the category of having year of service from 16-20. With regard to the position of respondents 68 (20.4%) of them were managers and the remaining 265 (79.6%) were from the non-managerial position.

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The respondents were also asked to indicate their opinion about the current provision of the selected reward practices in the bank. Accordingly, for pay/salary, the benefit packages and the working condition the majority of the respondents were in favor of the practices implemented in the bank. This implies that the pay/salary scheme and the benefit packages provided to the employees are found to be attractive. However, the majority of the respondents indicated that the promotion and recognition practices were poor. This shows that the CBE don't provide the promotion opportunities and recognition in an effective way so as employees would get motivated to improve their performance level.

Descriptive statistics was used to indicate that the means for pay/salary, benefit, promotion, recognition and working condition. These are pay/salary (3.21), benefit (3.75), promotion (2.52), recognition (2.74) and working condition (3.94). The result has shown that employees of the bank were more motivated or initiated by the working conditions available in their work place and the benefit packages provided. The lowest mean was observed for promotion and recognition which implies the bank have a poor practice of providing an opportunity for promotion and employees don't get recognized for a job well done.

Correlation coefficient was computed for the purpose of determining the relationship between the independent variables and the dependent variable i.e. employee performance. There was a positive and statistically significant relationship between the variables mentioned above. For pay/salary ( $r=.552$ ,  $p<0.01$ ), benefit ( $r=.353$ ,  $p<0.01$ ), promotion ( $r=.461$ ,  $p<0.01$ ), recognition ( $r=.526$ ,  $p<0.01$ ) and working condition ( $r=.519$ ,  $p<0.01$ ). All variables show positive and significant relationship with employee performance.

The regression analysis was done to ascertain the extent to which the variables mentioned explain the variance in employee performance. The value of Adjusted  $R^2=.61.9$  which indicates 61.9% of variance in employee performance is explained by the variables pay/salary, benefit, promotion, recognition and working condition. It supported the hypothesis that the reward practices have a significant effect on employee performance.

## 5.2. Conclusion

Commercial Bank of Ethiopia is expected to make an effort to fulfill the demands of their customers. The purpose of this study was to examine the role of rewards in the process of improving the performance of employees to deliver the service required from them for the purpose of meeting the organizational goal. Based on the study and the analysis made, the researcher addresses the research questions raised based on the findings from the study and the following points states the conclusions made on the basis of the results.

What is the current provision of reward practices of the organization?

The study finding indicated that from the current provision of the reward practices, pay/salary scheme, benefit package and working conditions were found to be attractive. Briefly, the pay/salary schemes were considered significant in motivating employee's performance level and similarly employees are in favor of the bank benefit packages and the working condition. Generally, it can be concluded that there is an attractive reward practices in relation to the pay/salary scheme, the benefit packages and the working condition.

On the other hand the opportunity of promotion practice is poor and it needs to be carried out in a way that is favorable for the employees in order to improve their performance level. Moreover, the chance of employees being recognized for a job well done is also low since the findings from the study showed that the practice of recognition for a successful job performance in the bank is poor.

What is the effect of the reward practices on the employee's performance?

The research findings clearly shows that reward has a direct influence on the employee's performance and it tends to increase the actual performance of employee, given that there is a positive and significant relationship between the independent and the dependent variables. Reward improves the initiation of employees to perform their job at a higher level.

The study also demonstrates that reward affects employees' job performance level. In other words, improved employees' job performance is to a large extent influenced by the implementation of appropriate and suitable reward practices. And also it has been

observed that employees consider not only monetary reward types but also non-monetary ones in order to be motivated by them and exhibit better performance level.

Which kinds of reward practices mostly influence performance level?

The finding from the study showed that the correlation between the variables pay/salary, benefit, promotion, recognition, working condition and employee performance. And the result also showed that pay/salary, benefit, promotion, recognition and working condition have a significant and positive relationship with the employee performance.

While observing the extent to which each independent variables influence the dependent variable i.e. Employee performance, the result obtained demonstrates that the working condition is more significant in terms of enhancing the performance level of employees. And this helps to conclude that the CBE has created a favorable working conditions for their employees since the beta value of the working condition is .296, since, The larger value of Beta coefficient that an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable. Furthermore this shows that adjusting the working condition can provide a superior performance outcome than the other selected reward practices.

### **5.3 Recommendations**

From the findings of this study it was observed that there is a direct and positive relationship between reward practices and employee performance which means that the reward practices are directly proportional to employee performance. This indicates that the change in reward necessarily results a change in the level of employee performance. This shows that management of Commercial bank of Ethiopia can make use of different tactics, strategies and policies to improve the level of performance of employees in the organization. Based on the finding and analysis of the study, the following recommendations are proposed:-

As indicated in the study the gap or the problem identified was that rewards provided to employees are mostly focused on cash related (monetary) types of reward and there is a time gap between good performance and the rewards provided. And the findings as well showed that there is good and attractive practice of the pay/salary and benefit packages. The working conditions in which the employees perform their job were also found attractive.

Therefore, it is recommended that in order to attract and retain competent employees, the organization must maintain its pay/salary scale to the highest level within the industry and must continuously upgrade its salary scale in response to internal and external conditions and the salary increment/ adjustments must be made within a logical period of time. And also alternative forms of reinforcement should be introduced and used frequently, including verbal reinforcement, letters of recognition for tasks performed well and creating an environment where the employees feel initiated to perform.

With regard to the benefit package, it can be said that even though there is an attractive benefit package in CBE a periodic revision is necessary to initiate the employees for higher performance.

In Commercial Bank of Ethiopia employees have a positive attitude towards the working condition; this doesn't mean the bank must keep the current practice as it is, however the bank must still work on the creation of conducive working environment, since it will encourage high performers to improve their performance more.



But regarding promotion opportunity and recognition the findings indicated that there is poor practice. Therefore, it is recommended that CBE should continuously recognize good performance and administer the promotional opportunities in a fair and transparent way which considers all employees. Moreover, through different channels, CBE must clearly and repeatedly communicate its promotion and recognition policy and procedure or its reward system in general to its employees. For instance, for new employees, this has to be communicated at the induction program. Since communication plays a vital role to increase employees' awareness about what is expected of them and motivates them to work hard.

As much as possible, the organizations should include both financial and non-financial rewards with appropriate mix. Because in today's competitive and challenging business environment the management must try to acquire or retain a well-educated, motivated and experienced workers by combining the financial and non-financial rewards provided so as to be competitive in that market and to make the organization profitable.

The other point that the bank must consider is that the timely offer and improvement of its reward practices in general. Even if the organizations have a good practice in providing selected types of rewards, if it doesn't get improved from time to time, it cannot address the timely needs of employees.

Lastly, reward is vital in the day-to-day performance of employees' duties, especially those rewards that are granted to workers for the job they have done. Sequentially, employee performance of any type is improved by designing, implementing, reviewing and adjusting the reward system that is appropriate and satisfying all employees.

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([http://](http://www.combanketh.et) HYPERLINK "http://www.combanketh.et" [www.combanketh.et](http://www.combanketh.et) )

<http://www.cbe.portal.com.et/>

**APPENDEX 1 - Questionnaire**  
**ST. MARY’S UNIVERSITY**  
**Department of Business Administration**

This questionnaire is intended to collect primary data used for thesis entitled “**The Effect of Reward Practices on Employees Performance in Commercial Bank of Ethiopia**” in partial fulfillment of requirement for Masters of Arts Degree in business administration. Therefore, your participation in giving reliable information is important for the success of this study. So, I respectfully request your kind cooperation in answering the questions as clearly as possible. I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in strict confidentiality.

**Note**

- Please put “√” mark in the box to the point which highly reflect your idea;
- Your honest and unbiased response will greatly contribute for the research to achieve its objective and there is no need to write your name.

Thank you very much, in advance, for your sincere cooperation.

If you have any comment and questions you can contact me through the following address;

Mulugeta Alemu (+251921305650) ([mulealemu17@gmail.com](mailto:mulealemu17@gmail.com))



**Part two: Type of reward practices provided**

**How would you rate the following reward practices currently provided by the Bank?**

	<i>Very poor</i>	<i>Poor</i>	<i>Average</i>	<i>Good</i>	<i>Very good</i>
<b>Pay\salary</b>	_____	_____	_____	_____	_____
<b>Benefit</b>	_____	_____	_____	_____	_____
<b>Promotion</b>	_____	_____	_____	_____	_____
<b>Recognition</b>	_____	_____	_____	_____	_____
<b>Working condition</b>	_____	_____	_____	_____	_____

The following questions are presented on a five point Likert scale.

1. Strongly Disagree    2. Disagree    3. Neutral    4. Agree    5. Strongly Agree

**Part Three: The effect of reward practices the bank provided**

No.		5	4	3	2	1
1	The reward practice at the bank focuses on the real needs of employees					
2	Employees are rewarded in the organization immediately when they perform best					
3	The rewards distributed at the organization have a positive effect on the work atmosphere/ environment					
4	The rewards at the organization are distributed fairly					
5	The rewards distributed matches my work effort					
6	Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future					
7	I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards					
8	The organization's reward practices compensate excellent Performer more than average performer					

**Part Four: the influence of reward practices on performance level**

	<b>Salary/pay</b>	5	4	3	2	1
1	My salary is satisfactory in relation to what I do					
2	The amount of basic pay I receive is fair relative to the industry's average					
3	The basis of payment, for example overtime payment is reasonable					
4	Salary adjustment/increment is made within a reasonable / logical time period					
5	Salary increments are made based on the performance results of workers					



6	Salary increment made for high performers will encourage others to perform more					
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### Correlations

	<b>Benefit packages (medical, insurance, loan)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
7	The medical and insurance schemes are attractive					
8	The organization's housing, car loan ,and ESL policy is attractive					
9	Provision of attractive housing loan policy will help to retain high performers					
10	Benefit packages are modified as necessary to ensure organization's competitiveness					
	<b>Promotion</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
11	Everyone has an equal chance to be promoted					
12	The existence of promotion has no effect on the level of performance of my work					
13	The organization's promotion policy is clearly communicated to all employees					
	<b>Recognition</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
14	I get credit for what I do					
15	I receive constructive criticism (positive feedback) about my work					
16	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
17	Proper recognition of high performers will encourage low performers to work hard					
	<b>Working conditions</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
18	My working hours are reasonable					
19	I am never overworked					
20	Creation of conducive work environment will encourage high performers to improve their performance more					
21	The existence of safe working conditions has encouraged me to give sustained high performance at work.					

<b>No.</b>	<b>Employee performance</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Employees are rewarded based on his/her individual performance.					
2	The existing benefit package (medical cost coverage..) are helping employees for higher levels of performance					
3	The banking work environment is good for young employees in enabling them to optimally utilize their skills, knowledge and strong potential					
4	The organization has a good culture of recognizing employees for successful completion of tasks					
5	Performance standards in my organization are clear and easily understandable					
6	The reward practices have a positive effect on the employees' job performance					

### APPENDIX 2 – Correlations output

		Pay/salary	Benefit	Promotion	Recognition	Working condition	Employee performance
Pay/Salary	Pearson Correlation	1	.437**	.523**	.453**	.368**	.552**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	333	333	333	333	333	333
Benefit	Pearson Correlation		1	.312**	.301**	.357**	.353**
	Sig. (2-tailed)			.000	.000	.000	.000
	N		333	333	333	333	333
Promotion	Pearson Correlation			1	.358**	.195**	.461**
	Sig. (2-tailed)				.000	.001	.000
	N			333	333	333	333
Recognition	Pearson Correlation				1	.420**	.526**
	Sig. (2-tailed)					.000	.000
	N				333	333	333
Working condition	Pearson Correlation					1	.519**
	Sig. (2-tailed)						.000
	N					333	333
Employee performance	Pearson Correlation						1
	Sig. (2-tailed)						
	N						333

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

### APPENDIX 3 – REGRESSION OUTPUT

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787 <sup>a</sup>	.619	.608	.626

- Predictors: (Constant), pay/salary, benefit, promotion, recognition, working condition
- Dependent Variable: employee performance

#### ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
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	Regression	112.144	5	13.578	57.021	.000 <sup>b</sup>
1	Residual	69.004	228	.238		
	Total	181.148	333			

a. Dependent Variable: employee performance

b. Predictors: (Constant), salary, benefit, promotion, recognition, working condition

### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1constant	.595	.176		.	.001	.249	.941					
Pay/salary	.194	.046	.232	4.222	.000	.104	.284	.552	.240	.176	.577	1.732
Benefit	.015	.041	.018	.367	.714	-.066	.096	.353	.022	.015	.754	1.327
Promotion	.156	.039	.198	3.973	.000	.079	.233	.461	.227	.166	.699	1.431
Recognition	.230	.052	.221	4.435	.000	.128	.332	.526	.252	.185	.700	1.430
Working condition	.271	.044	.296	6.136	.000	.184	.359	.519	.338	.256	.747	1.339

a. Dependent Variable: employee performance

## **DECLARATION**

I, Mulugeta Alemu declare that the thesis entitled ‘The effect of reward practices on employees’ performance in Commercial bank of Ethiopia’ is my original work. Moreover, this study has not been presented for any other program or university and that all sources of material used have been acknowledged accordingly.

Mulugeta Alemu  
SGS/0190/2008A

\_\_\_\_\_  
Signature and Date

## **ENDORSEMENT**

This is to certify that Mulugeta Alemu has carried out his research work on entitled “the Effect of Reward Practices on Employees Performance in Commercial bank of Ethiopia” for the partial fulfillment of Masters of Arts in General Business Administration at St. Mary’s University. This work is original and it is suitable for submission of Masters of Arts in General Business Administration.

Worku Mekonnen (PHD)  
Advisor

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Signature and Date