



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTERS OF BUSINESS ADMINISTRATION**

**ASSESSMENT ON REWARD SYSTEM PRACTICE IN THE CASE OF  
BANK OF ABYSSINIA- HEAD OFFICE AND DISTRICT LEVEL STUDY**

**BY:**

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**JULY, 2023  
ADDIS ABABA, ETHIOPIA**

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**ATHESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL  
OFGRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION**

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## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Mesfin Tesfaye (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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## **ABSTRACT**

Employees today are more concerning on the rewarding approaches in which they seek for the ground elements that should be demonstrated in accordance to ensure that one's organizational reward practice will be effective as possible. Reward system refers to all the financial, non-financial payments that an organization provides for its employees in exchange for the work they perform. This paper assesses the reward system practices in BOA using both qualitative and quantitative analysis methodologies. The descriptive analysis of the demographic characteristics shows that most of the employees are young, male, single, have a Bachelor's degree, work in clerical positions, and have less than five years of experience. The situational analysis reveals that the reward system aligns rewards with performance, provides a variety of rewards, and sets clear and fair criteria for rewarding performance, but also has some drawbacks such as relying solely on performance appraisal results, excluding employees who score below expectation or unsatisfactory ratings, and not specifying how the rewards are determined or distributed. The mean agreement level analysis indicates that most of the employees agree on the payment reward system, are neutral on benefits and working conditions, and neutral on the work itself and management style.

Finally, the researcher suggests that the Bank of Abyssinia human resource management body must revise the reward system properly to retain best performer.

**Keywords: BOA, Employees, Reward Practices, Intrinsic Reward and Extrinsic Reward**

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

The management of rewards has grown in significance, particularly in the current dynamic and competitive economy. This is due to the fact that it makes it possible for businesses to both attract and retain personnel while also boosting overall productivity. Many businesses view their workers as the primary source of organizational value and competitive advantage, as Ajila et al., (2018) explains. As a result, it's critical to retain staff, foster motivation, and boost workplace efficiency through a variety of tactics, such as rewards. Therefore, in order to increase performance and motivation, businesses must develop reward systems based on employees' talents and competencies as well as in line with corporate goals.

Gabriel et al., (2015) define reward management as the strategies, policies, and procedures necessary to guarantee that the contribution of individuals within a company is recognized through both non-financial and financial ways. One of the most important factors in an organization's ability to inspire people to put forth their best effort in order to provide original ideas that improve business operations is reward management. This suggests that the goal of rewards management is to create and manage reward systems that increase employee engagement and organizational commitment.

According to Cameron et al. (1994), intrinsic elements that genuinely boost employee satisfaction and performance include the desire to complete a task and personal progress. Aguinis et al., (2013) also advocates for shifting the focus away from extrinsic rewards and toward a stronger emphasis on intrinsic rewards, which, in Pink's opinion, would result in improved performance and higher levels of employee motivation and satisfaction. Simply said, those who anticipate receiving an extrinsic incentive for completing a task do not perform as well as those who did not. If managers were to understand more about these important internal factors that influence motivation and performance, businesses might actually perform better Aguinis et al., (2013).

Even though the relationship between motivation and performance at work has been extensively researched, many organizations and reward structures still don't seem to be well-designed to boost motivation and performance. A number of issues in designing a reward system seems to be relatively overlooked as organization often swiftly implement the reward system without much thought about how it is designed Cameron et al., 1994; Aguinis et al., (2013). Moreover, the implementation usually occurs over a long period of time and organization do not embark on reviewing it.

Although it may be more difficult and take more time than simply pulling the reward lever, creating a fun, challenging, and empowered work environment where employees can use their skills to do meaningful work for which they are appreciated is likely to be a more certain way to improve motivation and performance Barber, (1992). Therefore, businesses should take steps to achieve total reward management, which will increase employee motivation and commitment. In this context, research on how rewards management is practiced is useful and also the focus of this research.

Bank of Abyssinia (BoA), was open for business in 1996 as a private commercial bank started its operation with an authorized and paid up capital of Birr 50 million, and Birr 17.8 million respectively, and with only 131 shareholders and 32 staff. Currently, the bank have a total of 807 branches. Boa created a permanent job opportunity for about 11168 employees out of which 7355 are male and the rest 3813 are female employees (from HR record) and out sourced some non-clerical position such as security guard and janitor to those employment agencies in recruiting and hiring process.

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

As many studies substantiated, getting the commitment of employees have greater significance in enhancing organizational productivity. Different literatures, moreover, highlighted that rewards, both financial and non-financial, take the greater stake, among others, in influencing employees to demonstrate the intended behaviors Armstrong & Murils, (2004).

Reward systems is one of the most important elements in successfully managing a large workforce. However, there must be an alignment between the employee's personal goals and company's goals. Management should create incentive programs that better align employees' goals and with business goals. Designing an ideal compensation system is exceedingly challenging since every person has a unique set of personal interests that influence how they act. As a result, managers should carefully assess what components and factors should be included to the reward system in order to increase desired outcomes Aguinis et al., (2013).

There is different type of reward systems each of them have their own effect on the individual and organizational performance. In general, there are two types of reward schemes in an organization: Intrinsic and Extrinsic rewards Cameron et al., (1994), Ajila et al., (2018). A study by (Aguinis et al., (2013) shows that Monetary rewards can be a very powerful determinant of employee motivation and performance which, in turn, can lead to important returns in terms of firm-level performance. However, monetary rewards do not always lead to these desirable outcomes. So, not only monetary rewards but non-monetary rewards are also equally important to bring the desired individual motivation and firm performance. Aguinis et al., (2013) also recommended that one of the most important principle for designing an effective rewards system is its measurability. Therefore, companies should devise a mechanism so as to regularly measure the motivational effect of reward system in an organization Aguinis et al., (2013), Kumari et al., (2021).

As per the information obtained from Director, HR Management of the Bank, BoA like many other organizations provided different types of reward schemes to the employees of the Bank. But, the rewards system practices is not assessed and measured by the Bank, and the Director also told that the Bank regularly provide rewards as a customary practice. The bank also faced challenges in the designation process of its reward system.

Some of these challenges mentioned include aligning the reward system with the strategic goals and values of the bank; developing clear and fair criteria for measuring and rewarding performance; communicating and explaining the reward system to the employees; managing the costs and benefits of the reward system; dealing with individual differences and expectations

among employees; and adapting to changing internal and external environments. Therefore, this study will try to assess the practice of reward in Bank of Abyssinia.

Aguinis et al., (2013), Ajila et al., (2018), and Kumari et al., (2021) also recommended that, for companies to implement effective reward system, they recommended five general principles to guide the design of successful reward systems: define and measure performance accurately, make rewards contingent on performance, reward employees in a timely manner, maintain justice in the reward system, and use monetary and nonmonetary rewards. They also recommend that for consistent implementation, it is important that they have to be clearly stated in a reward policy and procedure. But, as per an interview conducted with the Division managers, HR Management of the Bank, there is no independent reward management procedure in the Bank that determines the types of reward provided for the employees, which reward types are provided for which employee, how can the effectiveness of the reward system is regularly measured, and how effective the reward systems are in contributing to the organization performance. This creates inconsistency in the rewards system implementation of the Bank. Therefore, this study will assess the practice and recommend area where reward system should focus in order to bring consistency and creates motivation and performance congruency.

It is evidenced that reward systems have a positive relationship with the motivation of employees Kumari et al., (2021), Ibitomi et al., (2022) But, as per the interview, it is not studied in the context of BoA. Therefore, this study will try to assess the reward system practices in the BoA.

### **1.3. Research Question**

Accordingly, in order to address the above stated problems, the study gave answer to the following research questions:

- Are the benefits packages designed in a way that aligns employee's personal goals with that of the bank?
- Are employees satisfied with their respective work and working conditions?
- Is the overall work environment and management style in the bank attractive to employees?
- Is the reward system in the bank effective in encouraging performance?

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

This research is intended to achieve the following general and specific objectives:

### **1.4.1. General Objective**

The general objective of this study is to evaluate the current reward system and its practices of BoA.

### **1.4.2. Specific Objectives**

The specific objectives of the research are:

- To assess if the benefits packages designed in a way that aligns employee's personal goals with that of the bank
- To evaluate the satisfaction level of employees by their respective work and working conditions.
- To appraise the attractiveness to employees of the overall work environment and management style in the bank.
- To assess the overall effectiveness of the reward system in the bank.

## **1.5. Significance of the Study**

The results of this study may have greater input to the human resource practitioners that design and administer their reward system. In particular, this study has greater importance to BoA it provides an opportunity to gain insight into the effectiveness of rewards system practices in the bank. As a result, it helps the bank to provide tailored reward strategies that leads to an improved achievement of its goals. Because there hasn't been any scientific study on the BoA's practice of reward system, the study's findings help grasp the organizations actual practices and realities in this field. This study is anticipated to shed light on the topic and serve as a starting point for subsequent research on employee engagement and retention by other academics. The results would likewise apply to Ethiopian organizations pursuing a similar objective. This study is anticipated to provide significant new insights on the subject and act as a launch pad for independent studies on employee engagement and retention in the future. Ethiopian organizations will also be able to use the conclusions.

The financial industry as a whole is also thought to benefit greatly from this study. Research on worker incentive programs has several potential applications for persons involved in the banking business. The results of this study are also expected to offer important insights into how the banking sector may establish more productive strategies for rewarding staff to improve their performance.

Because it offers an insightful and significant viewpoint on how Bank of Abyssinia constructs its incentive systems, this research is also valuable to the body of knowledge in reward systems. Future studies might follow the findings of this study as a guide to comprehend how organizational culture affects reward systems.

### **1.6. Scope of the Study**

The study is delimited only in BoA. The Bank is comprised of all districts and Head Office organs and samples from branches located within these districts and Head Office are included in the study in order to generate a representative sample and ensure acceptable generalizability.

This study is also delimited conceptually to reward systems, specifically intrinsic and extrinsic rewards at Bank of Abyssinia. This study did not include any conceptual construct other than stated above focuses solely on Bank of Abyssinia's reward system.

Finally, this study is delimited to using a cross-sectional data which may not provide the most comprehensive understanding of the reward system practices in Bank of Abyssinia. Given the complexity and dynamic nature of reward system practices, a detailed longitudinal study incorporating multiple data points over time would yield more meaningful insights regarding these topics. But, this study is delimited to use cross-sectional data by considering the fact that cross-sectional studies are also useful for generating hypotheses that can then be tested in a longer-term investigation.

### **1.7. Limitation of the Study**

Accessibility to all records necessary for the research were a limiting factor. The other limitation were lack of trust do have the doubt in the confidentiality of their response and some of the employees will not fill & return the questioners. This study relied on self-reported data from

employees, which might be influenced by social desirability or recall bias. Another limitation was manifested on the designation questionnaire, where it lacked some important disaggregation that could have been used to capture some important insights. The data did not disaggregate the respondents in terms of head office, district and branches and it didn't also identify the location by City and outlying.

Because this study was a cross-sectional study, it did not address the effect of reward system over time. Therefore, to fill these gaps, future research could use a longitudinal design to track the changes in reward system practices over time. It could also use various disaggregated identifiers of the respondents in a questionnaire to gain a deeper understanding of their level of agreement and experiences of intrinsic rewards in a more disaggregated manner.

## **1.8. Organization of the Study**

As far as the structure overview is concerned, this paper is organized as follows: the first chapter covers the introduction, background of the study, statement of the problem, research questions, and objectives. Moreover, it outlines the significance, scope and limitations of the study. The second chapter covers review of related literature on reward system so as to show all academic links researchers have found. The third chapter focuses on the Research Design & Methodology. In this chapter, adopted method of data collection, study design, sampling technique and data analysis and interpretation are clearly explained. The fourth chapter covers the data analysis and interpretations of the research findings. Finally, summary of findings, conclusions and recommendations together with implication for further research and practice are presented in the fifth chapter.

## **CHAPTER II**

### **REVIEW OF RELATED LITERATURES**

#### **2.1. Introduction**

Reward system practices has always been a major concern for companies large and small. For organizations to be successful, employees must be rewarded properly. It is important that the rewards and incentives given to staff members are in line with organizational goals and objectives. This review will discuss the meaning of reward and reward management various reward, how they can help to improve employee satisfaction and productivity, as well as how to implement them effectively in an organization. Through the discussion of theoretical perspectives on rewards, we can understand why understanding employee needs is essential for optimal results.

##### **2.1.1. Theoretical Review**

###### **2.1.1.1. Meaning of Rewards**

Rewards, more generally speaking, refer to a positive consequence that comes about as a result of completing some task, behaving in the way expected, or achieving a certain goal. In its simplest form, reward is the result of someone fulfilling their expectations or goals Gungor, (2011). This could range from receiving a paycheck after completing one's job duties to going out for ice cream with friends after studying hard for an exam. Rewards are often provided based on performance or behavior and can be tangible items like money or gifts, or intangible rewards such as recognition and appreciation Aguinis et al., (2013).

According to Scott et al., (2011), at its core, reward focuses on providing appropriate motivations so that desired behaviors and/or increased performance levels are met. Since motivation and performance levels play an important role in the success of an individual and/or organization, rewards help drive those efforts in a positive way by giving those involved something to strive for beyond simply completing tasks or meeting goals. Rewarding constructive behavior helps lead to the achievement of further successes while punishing unhelpful behavior (negative reinforcement) may cause individuals and organizations alike to take things less seriously than

before which can negate any potential benefits gained from rewards systems all together, emphasizing why reward systems should be carefully designed and implemented Aguinis et al., (2013).

Rewards are the positive reinforcements given by the organization. Rewards acts as effective motivators and help people to increase productivity and efficiency According to Mirkander (2010), cited in oroc, lapian and pandowo (2014) Reward is given by the individual or organization to the worker or employees as the following job they do. Reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility. 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, (2010).

In conclusion, when used properly, reward is a powerful instrument that promotes desired behavior in both individuals and organizations. The main objective is to inspire people to work hard and be productive by giving them many chances to succeed. When implemented appropriately, incentive systems not only sufficiently motivate those who use them but also support more important organizational objectives, allowing everyone involved to eventually gain from their use. Despite all technology advancements, human effort is still ultimately necessary for businesses to succeed. Without the right incentives, this would probably become more and more difficult, if not impossible.

#### **2.1.1.2. Types of Reward Systems**

Reward system consists of the integrated policies, processes and practices and administrative procedure for implementing the system within the framework of the human resources (HR) strategy and the total organizational system. Bratton & Gold (2007).

Reward systems are an essential part of employee motivation and retention. There are various types of reward systems that organizations can use to incentivize their employees. Here are some of the most common types of reward systems:

- 1) Intrinsic Reward and

## 2) Extrinsic Reward

### **Intrinsic Rewards**

Intrinsic rewards are psychological rewards that employees get from doing meaningful work and performing it well. They are intrinsic because they come from within the employee and are not given by the organization. Examples of intrinsic rewards include recognition, inspiration, a willingness to work, and a sense of accomplishment.

An intrinsic reward is an invaluable object such as appreciation, challenge, positive attitude, respect, and rotation after the certain achievement of a target Aktar, Sachu, and Ali, (2012). The intrinsic reward can take the form of job challenge, responsibility, autonomy, and task variations Shields, (2007). The intrinsic reward comes from the contentedness of a job and includes several factors such as job challenges, variation, creativity, and opportunity to use the ability and expertise, and adequate feedback for the effectiveness of the effort Chijioke & Chinedu, (2015). The intrinsic reward could be defined as any invaluable object that may affect the employee's performance and includes several job-related factors.

### **❖ Working Conditions**

Working conditions is about providing healthy, safe and so far as practicable pleasant working environment for employees and this environment are where employee feels that they have reasons for doing work and get pleasure from doing their job. Armstrong (2006) & 13 Yousaf et al. (2014). This includes the relationships with colleagues, working hours, work load, availability of resources and the like.

In (2012), Jung and Kim stated that good work environment and good work conditions can increase employee job satisfaction and an employee organizational commitment. So the employees will try to give their best which can increase the employee work performance.

Similarly, Cheng et al. (2013) concluded that there were evidences of moderating effects of age on the associations between psychosocial work conditions and health. Now the importance and the need of working condition is so describing or defining the physical environment by identifying those elements or dimensions of the physical environment. Employees having poor

working conditions will only provoke negative performance, since their jobs are mentally and physically demanding, they need good working conditions

### ❖ **Overall Organizational /Working Environment**

Work environment plays a big role in performance issues because it influences how engaged employees are with their jobs, Norton (2012). According to Wikipedia the free encyclopedia, an "engaged" employee is the one who is fully involved in and enthusiastic about their work. Hynes (2008) developed dimensions of working environment in terms of physical as well as behavioral components. The physical components of the environment were classified as:

1) Comfort Level-This includes ventilation, heating, natural lighting, artificial lighting, décor, cleanliness, overall comfort, physical security.

(2) Office Layout-This includes informal meeting areas, formal meeting areas, quiet areas, privacy, personal storage, general storage, work area-circulation place. The next set of components is Behavioral in nature. Includes Level of interaction-This component is more interested in social interaction, work interaction, creative physical environment, overall atmosphere, position relative to colleagues, position relative to equipment, overall office layout and refreshments. Level of distraction-includes interruptions, crowding and noise. Recent scientific research undertaken by Roelofsen (2000) came to the conclusion that improving the working environment results in decreased number of absenteeism, complaints and boosted employee productivity through improving the performance level of employees.

### ❖ **Management**

Leaders play a vital role in reward management. They exist to get things done through people, ensuring that the task is achieved but also building and maintaining constructive and supportive relationships between themselves and members of their team and between the people within the group Armstrong (2005).

## **Extrinsic Rewards**

Extrinsic rewards are tangible rewards presented to the employees by the management. And it is the physical benefits provided by the organization that satisfies the basic need for survival and safety of an employee and the drive of factors associated with the work context. It includes financials such as payment, bonus, benefits and non-financial such as leadership & working conditions. Bratton and Gold (2007) and Vijauakumar and Subah (2013).

They could be in various forms like pay rises, promotion, bonuses and respective benefits. The rewards are termed extrinsic because they external to the work itself (Thomas 2009). This means that other people namely the management has the ability to control the size and whether or not they are granted. All monetary rewards are included in this category i.e. extrinsic reward (Martocchio 2011).

According to Torrington et al (2009), "since 1940s payment scheme have had two underlying philosophies; First is the service philosophy (experience). It implies that people become more effective as they remain in a job, so their services should reward through incremental pay scales. Second is fairness philosophy that organizations must have standard structure of reward strategy that with promote fairness. 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. Extrinsic rewards and resource investment have been seen as necessary tools to motivate employee's creativity, especially in formalized tasks. Extrinsic rewards played a dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount.

### **❖ Benefits**

According to Lekovic & Marik (2013) Benefits are components of the system of compensation, have represented for long the field of harmonization of compensation. Benefits are the rewards, that are available to the employees in the organization can be seen as motivators that activate and orient further activities for attaining goals of the organization. Lekovic & Maric (2013) discussed benefits includes shorter work time, vacations and holidays, pensions, insurance (life, social, health, etc.), maternity leave, etc.,

Armstrong (2010), pointed out, employee benefits consist of arrangements made by employers for their employees that enhance the latter's well-being. They are provided in addition to pay and form important parts of the total reward package. As part of total remuneration, they may be deferred or contingent such as a pension scheme, insurance cover or sick pay, or they may be immediate such as a company car or a loan. Employee benefits also include holidays and leave arrangements, which are not strictly remuneration.

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 Armstrong, (2010)

Fringe benefits are forms of indirect compensation given to an employee or group of employees as a part of organizational membership Mathis and Jackson, (2003).

## ❖ **Payment**

Heery and Noon (2001) defined pay as payment, in which include many components like basic salary, bonuses, pay for doing extra work and incentives". According to Yousaf et al. (2014) Employees are offered a financial reward for their services called pay which is a foremost requirement in human resource management. Employees who do their best want reasonable pay that satisfies their needs. An equitable pay makes them feel appreciated so they expect to pay according to their efforts because they do not want to be unacknowledged for their services.

Financial rewards comprise all rewards that have a monetary value and add up to total remuneration – base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. (Michael Armstrong 2010)

### **Base or basic pay**

According to Armstrong (2010), many organizations use two base pay categories, hourly and salaried. Hourly pay is the most common means of payment based on time; employees who are paid hourly are said to receive wages, which are payments directly calculated on the amount of time worked. In contrast, people who are paid salaries receive payments that are consistent from period to period despite the number of hours worked.

Base pay should be value-added and competitive with the market in general, for which it is common to use individual rates, ranges, spot rates and broadband. When setting pay levels, ability to pay is paramount, supported by an examination of market rates, which may also be supported by a job evaluation database Armstrong, (2010). Henderson (2006) stated that pay rates must be equitable and competitive.

### **Variable Pay**

In contrast to base pay, variable pay changes relative to the performance level or results achieved, making it a more flexible and responsive method that rewards key measures of success. Many companies have moved to variable pay to reward different contribution, impact

on profit, and increased performance based on the premise that what is measured and rewarded is likely to be demonstrated in greater amounts by employees Armstrong and murlis (2005).

However, variable pay does not look the same in every organization, and the way it is structured And operates is heavily dependent upon the organization's culture and the relationships between It and other elements of the reward programs Armstrong and murlis (2005). Thus, variable pay comes in several forms: Individual performance-related pay -increases in base pay or cash bonuses are determined by performance assessment and rating; Competence-related pay - this is determined by the level of competence achieved by the individual; Contribution-related pay - this relates pay to output and input; Skill based pay - the skill level achieved by an individual determines the pay compensation; Service-related pay - pay is increased depending on the service in the job. Moreover, other kinds of variable pay are: Team performance pay which links pay increases to an assessment of performance at team level, and aims to encourage collaborative working. Organizational performance pays which links performance to its highest levels, with increased emphasis in better aligning with the business strategy as well as performance metrics. The most popular kinds of such are profit sharing and stock sharing.

### **Contingent Pay**

Contingent pay – planning and managing schemes that provide for pay progression related to Performance, contribution, competence, skill or length of service. Armstrong (2009).

#### **2.1.1.3. Reward and Reward Management**

The process of rewarding individuals for their performance or behavior in the workplace has become an important part of management strategy. The reward and reward management has been a major focus of discussion among researchers, managers, and executives across many different industries. This research aims to explore how reward strategies can be implemented into organizations in order to improve employee motivation, satisfaction, and performance. Additionally, this paper will look at how various forms of rewards can be used to shape employee behavior with regard to both individual and organizational objectives. Lastly, this

essay will examine the ethical considerations surrounding reward and reward management systems.

### **2.1.2. Empirical Literature Review**

Various studies have been done to see the effect of the reward system. While some of the studies indicate that the use of rewards as enhances employee performance, others note that rewards do not motivate or doesn't have any effect on employee performance at all.

In the research involving six different case studies from Italian central government, Azzone and Palermo, (2011) found serious flaws in the reward structure where no link could be found between performance appraisal and rewards. In this case performance was found to suffer adversely, and it was recommended to use existing reliable performance measures to overcome this especially when the organization is going through change. However, in the context of the public sector performance-based rewards schemes (PBRS), and pay as a facet of these, have been shown to be effective in managing employee performance, especially high performers. Performance based pay aligned with a broader performance assessment can facilitate better customer focused performance metrics as well as other organizational objectives within a public sector environment Kealesitse et al., (2013). This study on developing customer-focused public sector reward schemes in the Botswana government's performance based reward system, found that implementing a performance based reward scheme was difficult where employees do not have a high degree of autonomy, which is common in many public sector bodies. They also found the broad and conflicting nature of targets within this public sector meant performance related pay schemes were more difficult to implement successfully and thus to increase performance.

A study by Ahmad, Danish and Ali (2019) compared the banking industry based on appraisal systems, rewards, and employee performance. The study found that banks need to align their reward systems with the changing needs of time to improve employee performance. Another

study conducted by Rowley and Harry (2011) found that skills-based reward systems encourage multi-skilling and functional flexibility, indicating the organization's commitment to human resource development. In a quantitative study on global banks, the relationship between reward management systems and employee performance was found to be mediated by motivation. Similarly, a study conducted in Bangladesh found a significant relationship between rewards and employee performance in commercial banks. Another study in Pakistan also found a positive relationship between rewards systems and employee performance in private banks.

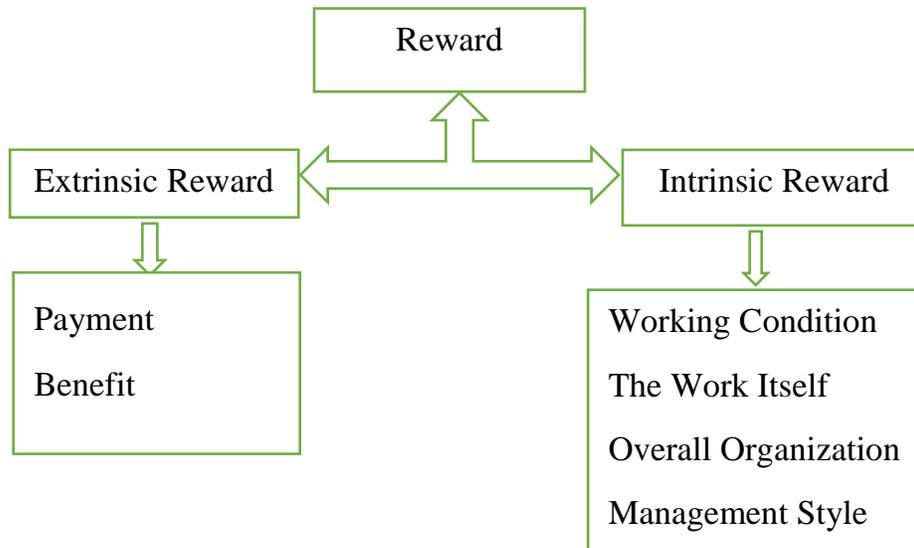
Naeem, shahzad, zahid, saqib and muhammed (2014) , conducted a research on factor affecting employees motivation in banking sector of Pakistan .the aim of this study was to find out the relationship between the different factors (financial rewards, personal traits, high salary plans, job design and supervision) and employees motivation. In this study financial reward, high salary plans, job design, personal traits and supervision are the independent variables and employee's motivation is dependent variable. The result of the analysis revealed that, the factors mentioned have positive effect on employee motivation.

In 2010 research, Ahmed Kelil, looked employee's perception towards compensation and benefit policy. The study concludes that the compensation and benefit packages are not periodically updated and evaluated for effectiveness. Furthermore, the existing benefits are not well communicated to employees. Both salary and benefits available in the institutions were rated unfavorably or most unfavorably. Ahmed Kelil, (2010).

A study by Daci and Lani (2020) investigated reward management of employees in the banking sector, emphasizing the importance of both financial and non-financial rewards in retaining and motivating employees.

## 2.2. Conceptual Framework

Based on the theoretical and empirical review of literatures on the reward system practices, the following conceptual framework is developed for this study.



**Figure 1: Conceptual Framework of the Study**

## **CHAPTER III**

### **RESEARCH DESIGN & METHODOLOGY**

The previous chapter elaborated the literature review underlying the study. This chapter now will turn to the methodology used in the study. It details the exact steps used to collect, process, and analyze relevant information on a subject of the research there by establishing the foundation for the reader the chance to assess the general validity and dependability of a study. This includes research approach, research design, the population and sample, the data source, data collection techniques and method of data analysis.

#### **3.1. Research Design and Approach**

##### **3.1.1. Research Design**

This study employed a descriptive design. Descriptive method is a research method that tries to describe phenomenon, occurrence, event, that happens in the present. Creswell (1994) said the descriptive method of research is to gather information about present existing conditions. Creswell (2012) explained the purpose of descriptive method is to find a detailed explanation and description about the object of the research systematically. Thus, based on the explanation above, the researcher assumed that a descriptive qualitative method is relevant for this research. This is so because the main aim of the study was to assess the reward systems practices in the bank of Abyssinia. The main research question the study attempted to answer was “is the existing reward system effective in the eyes of employees” which is addressed using descriptive survey research design.

##### **3.1.2. Research Approach**

The research approach used in the study was a mixed approach. According to Creswell (2012), a mixed research approach is a way for gathering, examining, and mixing qualitative and quantitative research and methods in a single study to comprehend a research problem. It requires an understanding of both quantitative and qualitative approaches. It particularly is used when both quantitative and qualitative data, together, provide a better understanding of your research problem than either type by itself. Moreover, it is employed when one type of research

approach (qualitative or quantitative) is not enough to address the research problem or answer the research questions effectively.

Addressing the issues in reward system in BoA requires data from both employees of the bank and officials from human resource management. Whereas the information gathered from employees is of quantitative nature using survey; the data from various officials of the bank was gathered using interview. Hence, a mixed research approach was employed in this study.

## **3.2. Population and Sampling Technique**

### **3.2.1 Population**

The population is all individuals of interest to the researcher Geoffrey, David & David, (2005). This study is an assessment study on the practice of reward system on Bank of Abyssinia. Data obtained from Corporate Human Resource Department shows that the permanent employees of BoA as at January, 2023 totaled 11,168. There are a total of 11,168 employees in the bank.

### **3.2.2 Sampling Technique**

The sample was selected using stratified random sampling, where employees were divided into districts, and then randomly selected from each stratum or district. The strata comprise the selected employees of head office and nine districts. Therefore, it captures the individual differences across various levels of the bank, and location of the employees.

In selecting the sample for this study employees with less than 6 months of work experience are deliberately excluded from the sample with the presumption that they may not provide reliable information about the Bank. Moreover, members of the Executive Management and Directors are excluded from the study. Therefore, samples were selected only from, division managers and supervisors, senior officers, officers and junior officers, clerical and non-clerical staff.

The sample size was determined by using the formula developed by Krejcie and Morgan (1970). Essentially because, it allows to determine the sample size based on the level of confidence required and the amount of error that may be tolerated. Therefore, based on Krejcie and Morgan (1970), the sample size for this survey is determined as follows:

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

Where, n = Sample size;

N = Population size = 11,168 employees;

e = Margin of error that the researcher will tolerate (5% in this research);

P = Population proportion = 0.5, (the population proportion that provide the largest/safest sample size is 0.5); and

Z = the standard normal value associated with the required confidence level. In this assessment 95% level of confidence is required for the estimate.

Accordingly, the sample size for the survey was:

$$n = \frac{Z^2 N P(1-P)}{e^2(N-1) + Z^2 P(1-P)} = \frac{1.96^2 * 11668 * 0.5(1-0.5)}{0.05^2 * (11668-1) + 1.96^2 * 0.5(1-0.5)} = 372 \text{ samples}$$

But, to deal with the risk of collectability and in case there will be missing questionnaires; a contingency of 5% is also included which makes up the total sample size to be 410. The sample employees from each district and head office will be determined proportionately based on the total number of employees in each district and head office.

*Table 1: Total population size and number of samples selected from each district and head office*

Work units	Population size	Sample size	Response	Response rate
Adama District	673	45	45	100
Bahirdar District	1,316	68	68	100
Central Addis District	1,301	68	68	100
Dessie District	671	45	45	100
Dire Dawa District	573	41	41	100
East District	1,821	87	87	100
Jimma District	609	42	42	100
Mekelle District	559	40	40	100
West Addis District	1,460	73	73	100
Head Office	2,185	109	109	100
Grand Total	11,168	618	618	100

### **3.3. Data Collection Instrument**

The data collection methods included a self-administered questionnaire and semi-structured interviews from HR. The questionnaire measured the employees' agreement level on reward system using a 5-point Likert scale ranging from 1=strongly disagree to 5 =strongly agree, which has been validated by previous studies. The interviews also explored the HR staffs experiences and opinions regarding the reward systems in more depth.

### **3.4. Procedure of Data Collection**

The data collection was handled online. The questionnaires sent to sampled employees in the head office and districts directly through their outlook address to be filled and returned back. The data collection procedures involved distributing the questionnaire to the employees via email using an online survey platform (Google Form), which ensures data security and confidentiality). The questionnaire included an informed consent form explaining the purpose, benefits, risks, and rights of the participants. The participants were asked to complete the questionnaire within a week. A reminder email was sent after one week to increase the response rate. The interviews were conducted face-to-face with a HR staff who agreed to participate after completing the questionnaire. The interviews were scheduled at a convenient time and place for the participants.

### **3.5. Data Analysis**

As clearly stated in the sampling section, the sample size was 372. However, from experience I have been advised by the Human Resource management staff of the bank that the return rate for questionnaires is about 40-45% when the bank sends questionnaires on various issues to employees. For practical purposes, therefore, I decided to send the questionnaire to 700 employees to account for non-return. The questionnaire was sent to employees via the bank's email system. Fortunately, 618 employees returned a fully completed questionnaire to me. With the encouragement from my advisor, I decided to use all of them returned questionnaire.

The data analysis techniques used are descriptive methods. Descriptive analysis is a method of data analysis that aids in describing, demonstrating, or helpfully summarizing data points so those patterns may develop that satisfy all the conditions of the data. It is the technique of

identifying patterns and links by utilizing survey data. Because it identifies patterns and associations without going any further, it is frequently referred to as the most basic data analysis. In this study, descriptive statistics were used to summarize the demographic characteristics of the sample, and the reward system of the bank.

### 3.6. Data Reliability Test

Reliability refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions.

If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error (Kothari C. R., 2004). The internal consistencies of items were measured using Cronbach's alpha technique. Cronbach Alpha is a measure for the internal consistencies of the items that together cover the specific factor.

### 3.7 Validity Testing

Validity refers to the extent to which a measurement instrument actually measures what it intended to measure. Reward assessment measurements were adopted from various scholar works. Items in the questionnaire were prepared using a five point-Likert scale except the demographic items. Maximum effort was exerted to create logical link between the items in the questionnaire and the objectives of the study.

**Table 2:- Data Reliability Test**

Variable	Reliability Statistics	
	Cronbach's Alpha	N of Items
Payment system	.815	5
Benefits	.766	4
Work conditions	.798	5
Work itself	.832	6
Work Environment	.807	5
Management	.926	4

Source: - SPSS Analysis output

Cronbach's alpha reliability result of the variables is above 0.75. Using rule of thumb of Kothari C. R., 2004, the Cronbach's alpha value of the study is within acceptable level.

### **3.8. Ethical Considerations**

During data collection, respondents were informed as to why the data was collected. They were informed about the objectives and methods of the study. The privacy of respondent kept safe. Moreover, respondents were expected to provide their response voluntarily. Finally, any work of scholars was acknowledged at bibliography part

## **CHAPTER FOUR**

### **ANALYSIS AND INTERPRETATIONS OF DATA**

This chapter deals with analysis and presentation of the data collected through questionnaire. Descriptive statistics like frequencies and mean; and mean comparisons were used to analyze the data.

Interpretations were made based on the frequency, percentages and standard deviation, of the data. The findings from the questionnaires were analyzed by using SPSS (version 23). The results from the study are presented in the form of frequency table.

The first part of the questionnaire consists of the demographic information of the participants related to personal and professional characteristics. Whereas the second part intended to obtain respondent's opinion and agreement regarding financial and non-financial rewards of the company.

#### **4.1. Demographic Characteristics of the Respondents**

##### **4.1.1. Age Category**

This part comprises respondent's information related to demographic characteristics in order to give information regarding the composition of the sample. As we can see from Table 1, of the total respondents with regard to age category 30.6% (189) of them are less than or equal to age 25, 38.2% (236) of them are within the age range of 26-30 and 15.5% (96) are between the age of 31-35, 10.4% (64) of them are between the age of 36-40 and 3.6% (22) of them are between age range 41-45; the remaining 1.8% (11) are above the age of 46. This implies that most the respondents (84.3%) are below age 35.

**Table 2: Age Category of the Respondents**

<b>1. Age Category</b>			
	Frequency	Percent	Cumulative Percent
20-25	189	30.6	30.6
26-30	236	38.2	68.8
31-35	96	15.5	84.3
36-40	64	10.4	94.7
41-45	22	3.6	98.2
46 and above	11	1.8	100.0
Total	618	100.0	

*Source: Survey data, 2023*

One possible implication of the availability of large size of young employees in BOA is that they may have different preferences and expectations for reward systems than older generations. A study shows that young employees tend to value autonomy, mastery, and purpose more than extrinsic rewards such as pay and bonuses Wendelien Van Eerde, (2015).

They also seek more feedback, recognition, and opportunities for learning and development inter Observers, (2022). It also implies that young employees may be more responsive to rewards that are based on objective data, fair criteria, and teamwork rather than individual performance or seniority Susan Galr, (2020); and they may also appreciate rewards that are meaningful, useful, and valued, such as non-monetary rewards that enhance their work-life balance, well-being, or social impact Susan Galer, (2020)

Therefore, BOA with a large share of young employees may need to design and implement reward systems that are aligned with and that offer a variety of rewards to suit different preferences and needs.

#### 4.1.2. Marital Status

When we come to marital status of respondents, 55.5% (345) are single, 43.9 % (271) are married, and the remaining 4% (2) of them are other.

*Table 3: Marital Status of Respondents*

<b>2. Marital Status</b>			
	Frequency	Percent	Cumulative Percent
Single	345	55.8	55.8
Married	271	43.9	99.7
widowed	2	.4	100
Total	618	100.0	

**Source: Survey data, 2023**

Having various composition of marital status in BoA implies that they may have different needs and preferences for reward systems. According to NiloofarSolati (2019) single employees may be more motivated by financial rewards, such as bonuses, commissions, or salary increases than married employees who may value more non-financial rewards, such as flexible work arrangements, health care benefits, or family leave Stephen Miller (2019).

Therefore, the bank with a diverse mix of single and married employees may need to design and implement reward systems that are tailored to the different needs and preferences of each group, and that are based on objective and fair criteria. The bank may also need to consider other factors that affect job satisfaction, such as autonomy, mastery, purpose, feedback, recognition, and learning opportunities (NiloofarSolati, 2019).

#### 4.1.3. Education Status of the Respondents

As we can see from table 5, 1.0% (6) have a college diploma, 66.2% (409) of them have Bachelor's Degree, and 32.8.% (203) are master's degree holders the remaining one respondent said that they have advanced degree certificate , none of the respondents have a doctorate degree.

**Table 4: Education Status of Respondents**

<b>4. Educational Attainment</b>			
	Frequency	Percent	Cumulative Percent
College Diploma	6	1.0	1.0
BA	409	66.2	67.2
MA	203	32.8	100.0
Total	618	100.0	

**Source: Survey data, 2023**

The existence of various educational attainment in an organization is that they may have different levels of agreement depending on the type and fairness of the reward system. Manzoor F, Wei L and Asif M (2021), intrinsic rewards, such as autonomy, mastery, purpose, feedback, recognition, and learning opportunities, may be more important for employees with higher education levels than extrinsic rewards, such as pay and bonuses. Employees with lower education levels may be more motivated by extrinsic rewards than intrinsic rewards.

Therefore, BOA with a diverse mix of employees with different education levels may need to design and implement reward systems that are tailored to the different needs and preferences of each group, and that are based on objective and fair criteria.

#### **4.1.4. Experience of the Respondents at BOA**

Regarding their experience in BoA, 75.2% (465) worked in the companies for less than 5 years, 16.8% (104) are worked 6-10 years, 6.1% (38) respondents have work experience between 11-15 years, 1.8% (11) workers have above 16-20 years' work experience and the rest workers have more than 20 years' experience.

**Table 5:- Experience of the Respondents at BOA**

<b>6. Your experience in BoA</b>			
	Frequency	Percent	Cumulative Percent
1-5	465	75.2	75.2
6-10	104	16.8	92.1
11-15	38	6.1	98.2
16-20	11	1.8	100.0
Total	618	100.0	

**Source: Survey data, 2023**

Having majority of the employees have experience in the organization from 1 to 5 years implies that they may have different levels of response depending on the type and fairness of the reward system. Another possible implication is that employees with 1 to 5 years of experience may have different preferences and expectations for reward systems than employees with less or more experience.

Din, G. R. A., Shahani, N. U. N., & Baloch, M. N. (2021) states that employees with 1 to 5 years of experience may be more motivated by extrinsic rewards, such as pay, bonuses, or benefits, than intrinsic rewards, such as autonomy, mastery, purpose, feedback, recognition, or learning opportunities. Therefore, BOA with a large share of employees with 1 to 5 years of experience may need to design and implement reward systems that are tailored to the different needs and preferences of each group, and that are based on objective and fair criteria.

#### **4.1.5. Job Level of the Respondents**

The table shows that the majority of the employees (65.9%) are in the clerical level, which means they perform administrative or office tasks such as data entry, filing, or customer service. The second largest group of employees (24.4%) are in the managerial level, which means they have some authority or responsibility over other employees or departments. They may be

involved in planning, organizing, directing, or controlling the activities of the bank. The smallest group of employees (7%) are in the non-clerical level, which means they perform tasks that are not related to office work, such as maintenance, or technical support. The remaining 2.8% of employees are in the other category, which may include professionals, consultants, or specialists who provide specific services or expertise to the bank.

**Table 6:- Job level of the Respondents**

	Frequency	Percent	Cumulative Percent
Managerial	151	24.4	24.4
Clerical	407	65.9	90.3
Non-Clerical	43	7.0	97.2
other	17	2.8	100.0
Total	618	100.0	

**Source: Survey data, 2023**

One possible implication is that the bank may need to adopt a **comprehensive reward system** that includes both extrinsic and intrinsic rewards to motivate and retain its employees Gautam, Prakash Kumar, (2019).The bank may need to balance the extrinsic and intrinsic rewards according to the different job levels and preferences of the employees. For example, clerical staff may value extrinsic rewards more than intrinsic rewards, as they may have lower pay and less career advancement opportunities than managerial staff Kumarietal, (2020).

Therefore, the bank may need to offer them competitive compensation, performance-based incentives, or flexible benefits to motivate them. On the other hand, managerial staff may value intrinsic rewards more than extrinsic rewards, as they may have higher pay and more authority and responsibility than clerical staff. Therefore, the bank may need to offer them challenging and meaningful work, feedback and appreciation, participation in decision-making, or professional development opportunities to motivate them.

#### 4.1.6. Gender Composition of the Respondents

The table shows the frequency distribution of gender among 618 employees of a bank. It indicates that there are more male employees (509) than female employees (109) in the bank. The percentage of male employees is 82.4%, while the percentage of female employees is 17.6%. This suggests that there is a gender imbalance in the bank's workforce.

**Table 7:- Gender Composition of Respondents**

	Frequency	Percent	Cumulative Percent
Male	509	82.4	82.4
Female	109	17.6	100.0
Total	618	100.0	

**Source: Survey data, 2023**

the bank may offers equal rewards to male and female employees based on objective and transparent criteria, to reduce any potential resentment or discrimination. If the bank considers offering rewards that match the preferences and needs of male and female employees to improve their performance and loyalty.

#### 4.2. The Current Rewarding System of BOA

The current rewarding system of the bank states that the annual performance appraisal result shall be used to reward employees on their performance. It further describes that the annual employee performance result shall be used as an input to consider employees for reward in the form of bonus payment, promotions, project assignments, scholarships and success selection criteria's. Moreover, it says that employees who score overall below expectation and unsatisfactory ratings in their annual performance shall not be considered for any type of reward.

It can be learned from the reward system of the bank that its strengths are It aligns rewards with performance, which may motivate employees to achieve their goals and improve their skills (Frank V. Cespedes,2020, How to Conduct a Great Performance Review (hbr.org); It provides a variety of rewards, which may appeal to different preferences and needs of employees the blog

Libre Texts,(2020); and It sets clear and fair criteria for rewarding performance, which may enhance transparency and accountability The blog CIPD,(2023). Whereas, the reward system also depicts weaknesses such as It relies solely on performance appraisal results, which may not capture the full range of employee contributions or potential; It excludes employees who score below expectation or unsatisfactory ratings, which may demotivate them or cause them to leave the organization; and It does not specify how the rewards are determined or distributed, which may create confusion or inconsistency.

To improve these weaknesses the bank may supplement performance appraisal results with other sources of feedback, such as 360-degree feedback, peer reviews, or customer ratings; provide constructive feedback and development opportunities to employees who score below expectation or unsatisfactory ratings, rather than excluding them from rewards; and communicate and explain the reward system to employees and involve them in the design and implementation process.

### **4.3. Descriptive Analysis of the Extrinsic and Intrinsic Reward Systems**

#### **4.3.1. Payment Systems**

The study conducted frequency as well as mean analysis to scale response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a Likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=Neutral, 4= agree and 5=strongly agree), the mean value range between 1-1.80= SD, 1.81-2.60=D, 2.61-3.40= Neutral, 3.41-4.20=A, and 4.21-5=SA)

Payment system scale have five components, i.e. Fairness, Salary satisfaction, Similar salary for same position, clear and well communicated pay system, Fair salary increase and fair and clear procedure for pay increase. In terms of the mean score of the elements of the payment system factor, employees agree on clear and well communicated pay system, similar salary for same position, and fair salary satisfaction with 4, 3.9 and 3.6 mean score out of 5 point scale, consecutively. However, they were in neutral position on fair salary increase and fair and clear procedure for pay increase with 3.4 and 3.4 mean points, respectively.

As presented in table below, mean score of payment system dimension components ranges from 3.4 to 4, resulting in a grand mean of 3.7 (M=3.7, SD=1.2) out of 5 point scale, which shows majority of the employees agree on the payment reward system of the Bank. The mean of all the five elements of the dimension are significantly different from the scale mean, while the means of the elements of the payment factor compared with the overall/grand mean of the reward system, i.e. 3.52, the first and the fifth elements are not significantly different while others are significantly different.

**Table 8:- Employees level of agreement on Payment system of the bank**

	SD	D	N	A	SA	Mean	Std. Deviation
Salary satisfaction Fairness	8.6	12.6	12.6	46.8	19.4	3.6	1.2
Same salary for same position	7.6	8.1	8.9	40.3	35.1	3.9	1.2
clear and well communicated pay system	3.9	7.4	10	45.1	33.5	4	1
Fair salary increase	11	12.9	18.9	39.2	18	3.4	1.2
fair and clear procedure for pay increase	8.7	10.7	20.6	42.6	17.5	3.4	1.157
<b>Grand mean</b>						<b>3.7</b>	

**Source: - Survey results, 2023**

The results indicate that employees generally perceived the salaries paid by the Bank to be fair, but had concerns related to some aspects of how increases were determined and communicated. Specifically, the significant difference between the means of "fair salary increase" and "clear and fair procedure for a pay increase" suggest that management may want to review current policies around merit-based raises and ensure that there is clarity and transparency regarding expectations and processes involved.

Another area for possible attention is communication around pay systems. While employees agreed that the pay system was clearly communicated overall, the finding that all five dimensions except "same salary for same position" were significantly different from the overall grand mean indicates that there may continue to be challenges around understanding differences in pay and why certain decisions are made. Improved transparency through open discussion and education on decision-making practices could alleviate some anxiety and confusion.

#### **4.3.2. Benefits**

The study conducted frequency as well as mean analysis to scale response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a Likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=Neutral, 4= agree and 5=strongly agree), the mean value range between 1-1.80= SD, 1.81-2.60=D, 2.61-3.40= Neutral, 3.41-4.20=A, and 4.21-5=SA)

The benefits dimension of the reward scheme contains elements such as, The Medical, The transport allowance, the housing allowance, and enough leave days and no problems with leave arrangement. in terms of the mean score of the elements of the Benefits factor, employees only agree on the medical scheme of the bank with a mean score of 3.7 out of 5 point scale; they are neutral with the transportation allowance of the bank, and on the leave days of the bank with 3.3, and 2.7 average score; and they disagree with the housing allowance arrangement of the bank with 2.3 mean score out of 5.

The mean score of the Benefits dimensions ranges from 2.3 to 3.7; and with the mean benefit score of 3(M=3, SD=1.3), majority of the employees are neutral agree on benefits of the Bank. All the means of the four elements of the dimension are significantly different from the scale mean of 3, while the mean of the benefit factor compared with the overall/grand mean of the reward system, i.e. 3.52, it is significantly different from it (See table 11 for detail).

**Table 9:- Employees level of agreement on extrinsic reward system-Benefits of the bank**

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std. Deviation</b>
The Medical scheme is satisfactory	8.3	11.8	13.3	39.3	27.3	3.7	1.2
The transport allowance is satisfactory	11.7	18.8	14.1	35.9	19.6	3.3	1.3
The housing allowance is satisfactory	32.8	28.5	15.2	17.8	5.7	2.3	1.3
enough leave days and no problems with leave arrangement	25.9	21	17.8	25.2	10	2.7	1.4
<b>Grand Mean</b>						<b>3</b>	

**Source: - Survey results, 2023**

The results indicate that the employees are not convinced highly enough of the transportation allowance, as seen by the mean score of 3.3 out of 5. The bank may assess if the amount offered satisfies the demands of its employees or whether it should be increased. Besides providing an additional allowance, they might look at opportunities for subsidized public transportation costs. Similarly, the employees do not find Housing Allowance favorable, giving it the lowest mean score of the variables (M=2.3 out of 5), which is unfavorable. It must be evaluated in relation to the rate of inflation. As an alternative, management might be flexible and provide options for accommodations.

Moreover, though having a mean score of 2.7 out of 5, most of the respondents are dissatisfied with the leave day arrangement. Some strategies management could use include introducing flexible working hours or remote work options. Having the highest mean score amongst all the benefits provided, management should look into expanding insurance coverage, possibly including dependents in its medical schemes (M=3.7,SD=1.2). Also, regular employee health

screenings and general check-ups will showcase First Bank's care towards its staff while improving loyalty.

Overall Benefits Package, despite the mixed reviews about each element, the overall rating of 3 out of 5 represents moderate satisfaction with the entire package offered. Management may need to conduct an extensive survey focusing solely on the benefits package, gather feedback, and make amendments where necessary. Regular upgrades to benefits packages can help improve employee satisfaction.

### 4.3.3. Working Conditions

The study conducted frequency as well as mean analysis to scale response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a Likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=Neutral, 4= agree and 5=strongly agree), the mean value range between 1-1.80= SD, 1.81-2.60=D, 2.61-3.40= Neutral, 3.41-4.20=A, and 4.21-5=SA)

Working conditions, the nature of the task itself, the workplace environment, and management style are the four elements of the intrinsic component of the reward system, as explained in the section above.

The means of the four dimension components, ranging from 3.2 to 4.14, are all considerably different from the working condition scale mean, which is 3.45, while the mean of the work condition factor is significantly different from the overall/grand mean of the reward system, which is 3.52.

**Table 10:-Work Conditions**

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>M e a n</b>	<b>D e v i a</b>
reasonable working hours	12.8	14.1	12.5	41.6	19.1	3.4	1.294
Work is fairly distributed	11.8	17.8	20.4	37.4	12.6	3.21	1.219
convenient office lay out	10.7	16.7	16.3	42.7	13.6	3.32	1.211
Necessary resources for work are ava.	11.3	19.7	19.9	37.1	12	3.19	1.212

good r/ship colleagues & happy about that	3.9	3.1	7.8	45.6	39.6	4.14	0.963
Grand Mean						<b>3.5</b>	

**Source: - Survey Results, 2023**

The majority of workers, agreed that they have good relationship with colleagues and happy about that (M=4.14, SD=0.96). On the other hand, the majority of participant were undecided regarding whether the tasks were spread equally among the team members (M= 3.21, SD=1.2). Managers should think about clearly defining roles when distributing tasks to ensure fairness. Similar concerns existed over the physical design of the workplace and the availability of adequate equipment. These problems can reduce productivity and make workers uncomfortable for extended periods of time. To solve these issues, improving workplace amenities and offering better ergonomics may be helpful.

Overall, when measuring employee satisfaction, employers frequently place a higher priority on pay and work-related content. Although significant, studying the nuances of the larger context, such as the type of duties and working environment, offers insightful information and aids in the creation of focused improvement initiatives.

**4.3.4. The Work Itself/Fulfilling**

The study conducted frequency as well as mean analysis to scale response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a Likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=Neutral, 4= agree and 5=strongly agree), the mean value range between 1-1.80= SD, 1.81-2.60=D, 2.61-3.40= Neutral, 3.41-4.20=A, and 4.21-5=SA)

The analysis results show the mean scores and standard deviations of six items related to the work itself at the bank. The items are enjoying work, challenging work, autonomy, job clarity, fulfilling work and professional development.

While the Components of the work itself dimension varies from 3.4 to 4; the grand mean of the work itself is 3.73 (M=3.73, SD=1), which is slightly above the neutral value of 3.

**Table 11:- The Work itself (Fulfilling Work)**

	SD	D	N	A	SA	Mean	Std. Deviation
I enjoy my work	4.4	7.1	9.7	42.4	36.4	3.99	1.068
My job is a bit challenging but I enjoy it	5.2	6.8	12.5	49.8	25.7	3.84	1.047
I have sufficient autonomy in how I do my work	5.3	10	14.4	50.3	19.9	3.69	1.065
My job responsibilities are clearly defined	6.3	6.8	12.3	48.5	26.1	3.81	1.091
I enjoy the fact that my work is challenging	4.9	8.7	15	52.3	19.1	3.72	1.025
a clear process for professional development and for promotion	12.3	10.9	21.1	41.2	14.5	3.35	1.214
<b>Grand Mean</b>						<b>3.73</b>	

**Source: - Survey on Reward System, 2023**

The analysis results imply that the respondents are moderately satisfied with the work itself at the bank, but there are some areas that need improvement. The items that have significantly lower mean scores than the grand mean are autonomy, job clarity and professional development, which indicate that the respondents do not have enough freedom, direction and opportunities to perform their work effectively.

The items that have significantly higher mean scores are enjoying work, fulfilling work and challenging work, which suggest that the respondents find their work enjoyable, meaningful and stimulating. The frequency distribution shows that most respondents agree with the work itself statements, except for the last one about professional development and promotion.

#### **4.3.5. Overall Organizational/Work Environment**

The study conducted frequency as well as mean analysis to scale response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a Likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=Neutral, 4= agree and 5=strongly

agree), the mean value range between 1-1.80= SD, 1.81-2.60=D, 2.61-3.40= Neutral, 3.41-4.20=A, and 4.21-5=SA)

The mean scores of the five items measuring the overall organizational/work environment ranged from 3.12 to 4.36 on a 5-point Likert scale. The result shows that all the five items of the dimension are significantly different from the grand mean of organizational/work environment dimension (M=3.7, SD=1.1).

The highest mean score was for item 1 (mission, core values and culture), indicating that most respondents agreed or strongly agreed that their organization had a clear mission, core values and culture that they supported.

**Table 12:- Overall Organizational/Work Environment**

	SD	D	N	A	SA	Me an	Std. Dev iati on
mission , core values and the culture	3.2	2.1	5.2	34.3	55.2	4.36	0.922
Policies and procedures clear	3.7	5.8	10.4	43	37.1	4.04	1.021
involved in decision making	9.1	14.1	23.5	38.5	14.9	3.36	1.164
The organization listens to my ideas and concerns	14.4	14.7	24.9	35.9	10	3.12	1.213
treated well and sees employee as a resource/asset	12	10.7	18	40.8	18.6	3.43	1.246
<b>Grand mean</b>						<b>3.7</b>	

**Source: - Survey on Reward System, 2023**

The lowest mean score was for item 4 (the organization listens to my ideas and concerns), indicating that most respondents were neutral or disagreed that their organization listened to their ideas and concerns. The overall mean score for the organizational/work environment was 3.66, which is slightly above the midpoint of the scale (3.5), suggesting that respondents had a moderately positive perception of their organizational/work environment.

### 4.3.6. Management

The study conducted frequency as well as mean analysis to scale response patterns. Mean values were calculated to identify the central tendencies (averages) of data. With a Likert response scale of 1 – 5 (with the key: 1=strongly disagree, 2= disagree, 3=Neutral, 4= agree and 5=strongly agree), the mean value range between 1-1.80= SD, 1.81-2.60=D, 2.61-3.40= Neutral, 3.41-4.20=A, and 4.21-5=SA)

The table shows that the mean scores for all four statements are above 3.0, which suggests that employees generally have a positive view of their management's style. However, there are some interesting variations in the scores. For example, the mean score for the statement "Management is open to new ideas and to change" is significantly higher than the mean scores for the other three statements. This suggests that employees are particularly positive about their management's willingness to consider new ideas and to make changes.

The table also shows that there is a significant minority of employees who disagree with some of the statements about their management's style. For example, 9.4 % of employees strongly disagree that management is invested in their success, and 10.5% strongly disagree that management communicates in an effective manner. These findings suggest that there is some room for improvement in how management is practiced by its employees.

**Table 13:- Management**

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std. Deviation</b>
Management is open to new ideas and to change	11.8	13.8	20.1	39.5	14.9	3.32	1.225
Management is invested in my success and that of them	9.4	12	21.8	44	12.8	3.39	1.139
Management's decision making style is transparent	10.2	16.7	26.4	37.2	9.5	3.19	1.137
Management communication in an effective manner	10.5	14.1	24.8	39	11.7	3.27	1.16
<b>Grand Mean</b>						<b>3.3</b>	

**Source: - Survey on Reward System, 2023**

Overall, the table suggests that employees generally have a positive view of their management's style. However, there are some areas where management could improve its performance, such as by being more transparent in its decision-making and by communicating more effectively with its employees.

Management may consider continue to foster an environment that is open to new ideas and to change; make sure that employees feel that they are invested in their success; strive to be more transparent in its decision-making; communicate more effectively with its employees. By taking these steps, management can improve its performance and create a more positive work environment for its employees.

#### **4.3.7. Overall Reward System of the Bank**

The analysis results show the mean scores and standard deviations of six items related to the overall reward system of the bank. The items are payments, benefits, work conditions, work fulfilling, work environment and management style. The grand mean of the overall reward system is 3.52, which is slightly above the neutral value of 3.

***Table 14:-Overall Reward System of the Bank***

	<b>Mean</b>	<b>Std. Deviation</b>
Payments	3.68	0.92
Benefits	3.13	0.953
Work conditions	3.45	0.924
Work Fulfilling	3.82	0.853
Work environment	3.65	0.904
Management	3.37	1.066
<b>Grand Mean</b>	<b>3.52</b>	

**Source: - Survey results, 2023**

The analysis results imply that the respondents are moderately satisfied with the overall reward system of the bank, but there are some areas that need improvement. The items that have significantly lower mean scores than the grand mean are benefits and management style, which

indicate that the respondents are not very happy with these aspects of the reward system. The items that have significantly higher mean scores than the grand mean are work fulfilling and work environment, which suggest that the respondents find their work meaningful and their workplace pleasant. The items that have similar mean scores to the grand mean are payments and work conditions, which imply that the respondents are neither very satisfied nor very dissatisfied with these aspects of the reward system.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1. Summary of Findings

The study with the aim of assessing reward systems practices of BOA, have disclosed major finding using both qualitative and quantitative analysis methodologies. The descriptive analysis of the demographic characteristic showed that most of the employees of the bank are young below the age of 35, male and single, most of them have 66.2% Bachelor's degree, most of them worked in the Bank for less than 5 years, and majority of them are in clerical position. These results imply that the bank may consider these factors in designing and implementing its reward Schemes.

Situational analysis conducted on the reward system of the bank showed that the bank aligns rewards with performance; provides a variety of rewards; and sets clear and fair criteria for rewarding performance. Whereas, the reward system also depicts loop holes such as it relies solely on performance appraisal results; it excludes employees who score below expectation or unsatisfactory ratings; and it does not specify how the rewards are determined or distributed.

The study also analyzed the mean agreement level of the employees on the various factors of the reward systems of the bank. The result of the analysis indicates that, majority of the employees agree on the payment reward system of the Bank(Mean=3.7);With the mean of 3 and 3.45, majority of the employees are neutral agree on benefits and working conditions of the Bank; The grand mean of the work itself is 4, which is slightly above the neutral value of 3;employees are at neutral position regarding the management style of the bank with a grand mean score of 3.3; and grand mean of the overall reward system is 3.52, which is slightly above the neutral value of 3.

Employees' satisfaction with their benefits, payments, work conditions, and work environment varies significantly by age category. Employees' satisfaction with their work fulfilling, and Management style does not vary significantly by age category. In addition, Employees' satisfaction with their payments, work environment, and Management style varies significantly by job level. In addition, Among the reward systems, it is only management style that shows

significant difference in mean score among various groups of marital status ; and Fulfilling have significant difference by gender ; there No significant difference in educational attainment among various groups, and there is significant mean difference in Payments, work environment, and Management style among various job level categories. These shows that age, job level, gender, and marital status have a moderating effect of reward systems of the bank.

## **5.2. Conclusions**

The main goal of this study was to examine the reward system practices of in Bank of Abyssinia. The study concludes that the bank has a diverse workforce in terms of age, gender, marital status, education, and job level. The bank aligns rewards with performance and provides a variety of rewards, but it also has some limitations in its reward system, such as relying solely on performance appraisal results and excluding employees who score below expectation or unsatisfactory ratings. The employees have different levels of agreement and satisfaction with the various factors of the reward system, such as payment, benefits, working conditions, work itself, and management style. The employees' satisfaction with the reward system is influenced by their demographic characteristics, such as age, job level, gender, and marital status.

In general, results in the bank's total reward system call the attention of the responsible body to review the reward practice. The results also show that there is room for improvement in some areas of the reward system, especially benefits and management style, which may affect employee retention and commitment

## **5.3. Recommendations**

Here are some recommendations that can be made based on the findings in the table:

- The bank should consider the demographic characteristics such as age , gender, marital status, job level of its employees when making decisions about benefits, payments, work conditions, and work environment;
- The Bank should review its payment system and ensure that it is fair and competitive in the market. Employees who feel that they are paid well for their work are more likely to be motivated and productive.

- The Bank should review and revise the benefits package to make it more competitive and attractive for employees, taking into account their needs and preferences.
- The Bank should maintain and reinforce the work itself/ fulfilling and work environment by providing employees with challenging and meaningful tasks, feedback and recognition, and opportunities for learning and development.
- The Bank should improve its communication and feedback mechanisms with the employees, and involve them more in decision making and problem solving processes.
- The Bank should enhance the management style to foster a more supportive and participative culture, where employees feel valued and respected by their leaders. Besides, it should encourage its managers to be more open to new ideas and to change, and to communicate more effectively with their employees. Moreover, it should also improve its managers' decision making style and make it more transparent and accountable. This would enhance the trust and confidence of the employees in their managers and in the organization.
- The Bank should increase the level of autonomy for employees by allowing them more flexibility and discretion in how they do their work, as well as involving them in decision-making processes. Besides, it should improve the job clarity for employees by providing them with clear and specific goals, expectations and feedback, as well as aligning their roles and responsibilities with the bank's strategy and vision.

By following these recommendations, BOA can improve its reward systems and motivate employees to perform at a high level.

**APPENDIX I**  
**ST. MARY'S UNIVERSITY**  
**MASTERS OF BUSINESS ADMINISTRATION**

Dear respective respondents I am a post graduate student in MA in Masters of Business Administration and I am conducting a survey on the title “An Assessment on the Practice of Reward System in the Case of Bank of Abyssinia” and the objective of this questionnaire is to collect data from BoA employees which help to evaluate the Assessment of Reward Management Practice in BOA. The information collected shall be used for research purpose only. There are two sections: Demographic Information and Reward Management Opinion Survey. I assure you that your responses will not disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated. Thank you!

**Notice.**

- No need to write your name.
- Please put a “√” mark in the boxes for your answers
- Please respond as precisely as possible and at your earliest Convenience

**Part I: -Demographic Information**

**1. Age Category**

- |                                  |                                  |                                       |
|----------------------------------|----------------------------------|---------------------------------------|
| <input type="checkbox"/> 20-26   | <input type="checkbox"/> 31 – 35 | <input type="checkbox"/> 41 - 45      |
| <input type="checkbox"/> 26 – 30 | <input type="checkbox"/> 36 – 40 | <input type="checkbox"/> 46 and Above |

**2. Marital Status**

- |                                  |                                      |
|----------------------------------|--------------------------------------|
| <input type="checkbox"/> Single  | <input type="checkbox"/> Widowed     |
| <input type="checkbox"/> Married | <input type="checkbox"/> Other _____ |

**3. Gender**

- |                               |                                 |
|-------------------------------|---------------------------------|
| <input type="checkbox"/> Male | <input type="checkbox"/> Female |
|-------------------------------|---------------------------------|

**4. Educational Attainment**

- College Diploma
  Master’s Degree  
 Bachelor’s Degree
  Doctorate Degree
  Other (Please Specify).....

**5. Job Level**

- Managerial
  Non clerical  
 Clerical
  Other -----

**6. Your experience in BoA**

- 1-5Years
  11 -20 Years
  >= 31 Years  
 6 – 10 Years
  21 – 30 Years

<b>Extrinsic Rewards</b>		<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
		<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>
<b>1. Payments</b>						
1.1	My salary is satisfactory and faire in relation to what I do					
1.2	I earn the same salary as other employees in similar positions in BoA					
1.3	The pay system is clear and well communicated					
1.4	Salary increases are decided and distributed in a fair manner					
1.5	The procedures for pay increase are fair and clear					
<b>2. Benefits</b>						
2.1	The Medical scheme is satisfactory					
2.2	The transport allowance is satisfactory					

2.3	The housing allowance is satisfactory					
2.4	The leave days are enough and there are no problems with my leave arrangement					
	<b>Intrinsic Reward</b>					
<b>3. Working Conditions</b>						
3.1	My working hours are reasonable					
3.2	Work is fairly distributed					
3.3	Office lay out is convenient for me					
3.4	All the necessary resources for work are available					
3.5	I have good relationship with my colleagues and I am happy about that					
<b>4. The Work itself (Fulfilling Work)</b>						
4.1	I enjoy my work					
4.2	My job is a bit challenging but I enjoy it					
4.3	I have sufficient autonomy in how I do my work					
4.4	My job responsibilities are clearly defined					
4.5	I enjoy the fact that my work is challenging					
4.6	There is a clear process that I can use for professional development and for promotion					
<b>5. Overall Organizational/Work Environment</b>						
5.1	I like the mission of the organization, its core values & the culture					
5.2	Policies and procedures are clear					

5.3	I am appropriately involved in decision making					
5.4	The organization listens to my ideas and concerns					
5.5	I believe I am treated well and the organization sees employee as a resource/asset					
<b>6. Management</b>						
6.1	Management is open to new ideas and to change					
6.2	Management is invested in my success and that of them					
6.3	Management's decision making style is transparent					
6.4	Management communication in an effective manner					

**APPENDIX II**  
**St. Mary University**  
**Department of Business Administration Program**

**To be answered by HR Mangers**

You are kindly requested to respond to the statements in the following interview questions. The statements are related to **Assessment on the Reward Practices in the case of BoA for partial fulfillment of Masters of Arts Degree in Business Administration (MBA)**. Your responses are of great importance as this survey forms important part of the study. Therefore, your genuine, honest, and prompt response is a valuable input for the quality of and successful completion of the project.

**List of Interview questions:**

1. Is there a clear policy and procedure to implement the reward system in your organization?
2. How often the reward system is assisted & measured by the bank?
3. Do you think the current reward system available in BoA is linked to the performance of Employees?
4. Do you think the current reward is sufficient?

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