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EFFECT OF REWARD SYSTEM ON THE PERFORMANCE OF EMPLOYEES: A STUDY OF SELECTED COMMERCIAL BANKS IN OSOGBO METROPOLIS, OSUN STATE, NIGERIA

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Abstract
The study investigated the effect of reward system on the performance of employees in selected commercial banks in Osogbo metropolis, Osun State, Nigeria. Structured questionnaire was used to collect data from 71 respondents out of 128 permanent staff through random sampling method. Multiple regression analysis was used to analyze the data collected in order to examine the effect of independent variable, reward system dimensions (salary, recognition and bonus), on dependent variable (employees' performance). The result showed that the dimensions of reward system have significant effect on employees' performance. Based on this, it is concluded that the predictor variables namely (salary (0.372); recognition (0.251); bonus (0.328)) are jointly 78.0 percent variance of employees' performance. In line with this, the study therefore, recommended that management of organization should make use of every dimension of intrinsic and extrinsic reward system to encourage their staff for higher productivity.

Key Words: Reward system, employees' performance, salary, recognition, bonus

INTRODUCTION

In a world that is highly globalized by individualism, competition, personal achievement, self-interest, information and communication technology, the major challenge for every organization is the ability to attract, motivate and retain the best workforce for competitive and survival strategies. There has always been disequilibrium between what an employee wishes to collect and what an employer intends to pay. In this regard, to achieve an improved performance, every organization needs to devise a balance. Organizations as noted by Puwanenthiren (2011) have admitted the fact that they need to put in place an equitable balance between the contributions of organization and employee to each other. The author further premised the

reasons for reward system in an organization on this foregoing.

A major instrument for employee performance is equitable reward system and a better rewarded employee perceives himself/herself being valued by the employer. Doing this will enable the organisation shape employees' behaviours and accelerate the attainment of organisational objectives. This equitable reward system encourages workers for higher performance. Failure of employers to establish an equitable reward system as Okosi (2020) revealed could force such employees to leave the organization. This shows that the importance of well-motivated employees cannot be appropriately highlighted in the context of an organization (Okosi, 2020). It is further noted that highly motivated employees are more efficient, eager to work and more productive towards the achievement of organizational goals than less motivated employees. Well motivated employees tend to result in a better performance as they know there is a reward waiting for them after their contributions to the organizations.

Having recognized the importance of reward system, developed countries like United States, China and others have carried out many researches and studies on a reward system (Noorazem, Sabri & Nazir, 2021; Edward & Christopher, 2006; Lee & Wong, 2006). Less developed countries like Ghana, Nigeria and South Africa among others had also carried out studies on the subject matter but in limited numbers (Okosi, 2020; Nnaji-Ihedinmah & Egbunike, 2015). However, the foregoing revealed the fact that there is a dearth of studies focusing on Osun State, Nigeria that addressed the influence of reward system dimensions (salary, recognition and bonus) on the performance of employees in organizations. Therefore, this study filled the identified gap by examining the effect of reward system on the performance of employees in selected commercial banks in Osogbo metropolis, Osun State, Nigeria.

Study Hypothesis

H_{01}: Dimensions of reward system have no significant effect on the performance of employees in the selected commercial banks, Osogbo, Osun State, Nigeria.

LITERATURE REVIEW

Reward System

The existence of reward system is to encourage the most valued organizational assets, workers to work towards achieving organization's objectives. Reward system as viewed by Bratton and Gold (2003) involves cash, non-cash and psychological compensations given by an organization in return for employees' contributions. It also means the process of developing and implementing strategies, policies and systems which enable an organization to achieve its set objectives by attracting, motivating and retaining employees it needs (Okosi, 2020). The aims of a reward system as opined by Johnson, Chang and Yang (2010) include attracting, motivating and retaining employees to work for the attainment of the organizational objectives.

Sajuyigbe, Olaoye and Adeyemi (2013) revealed two basic types of rewards which include intrinsic reward and extrinsic reward. The former according to the scholars, means non-financial reward which involves recognition and praise while the latter means financial reward such as salary and wages, bonus, retirement benefits, health insurance scheme, compensation and others. Sajiyigbe, *et al.* (2013) further established that some employees appreciate receiving intrinsic reward like recognition or praise for the achievement of certain feat while others prefer extrinsic reward such as increase in salaries, bonus and incentives offered. The view of Okosi (2020) showed that the rationale behind the implementation of reward system for employees is that well motivated employees become financially and non-financially satisfied in terms of fulfilling their wants. The achievement of the foregoing translates to employees' performance and by extension, organization performance.

Salary

Salary as observed by Umar (2012) is very important which works as an effective tool to increase employees' performance. It is defined by Surbhi (2015) as a fixed amount paid by the employer to his/her employees at a determinable interval for their contributions to the organization. Agburu (2017) further noted that salary is very germane and need to reveal a few elements of equity instead of focusing on adequacy. This indicates that equitable salary will provide work satisfaction for the employees and ultimately enhance their performance in the organization. A research carried out Edirisooriya (2014) revealed that a strong

and positive relationship existed between employees' performance and financial reward such as salary. In the same vein, Noorazem, *et al.* (2021) showed that an increase in salary payment by the employer to the employees will encourage them to improve their performance in the organization.

Recognition

This is a system where employees are acknowledged and appreciated for their individual contribution to the organizations. It is defined by McCraty and Childre (2004) as a way from the employer to acknowledge and appreciate employees for their achievements. Recognition as observed by William (2010) is an expression of employer to acknowledge or thank for extra efforts done by the employees in an organization. According to the author, the use of recognition or acknowledgement and appreciation is to encourage the employees and to encourage others in the organization to do the same.

Bonus

Bonus is a financial compensation that is above and beyond the normal payment provided to the employees. It may be given to employees as an incentive or a reward for outstanding performance. Bonus is defined by Heathfield (2016) as the compensation over and above the amount of salary pay received by the employees for extra effort or performance. Bonus is an important component of reward system because it is based on extra effort in relation to employees' current performance in the organization. Bardot (2014) noted that bonus is a compensation that is not expected by the employees but meant to motivate them for higher organizational performance.

Employees' Performance

Organizational performance is a function of employees' performance and the latter is based on the nature of reward system in place within the organization. Anitha (2013) established that employees' performance is an indicator of financial or non-financial outcome of the employees which has direct link with the organizational performance. Human resource management scholars and other stakeholders, according to Njanja, Maina, Kibet and Njagi (2013) suggested some indicators for measuring employees' performance which include output or productivity, customers' loyalty, timeliness, absenteeism and achievement. The views of Hakala (2008) and Armstrong (2006)

buttressed the need to measure individual performance of employees as a way of determining the implication of reward system has on the workforce and by extension, the organizational performance. For the purpose of this study, output or employees' productivity is used as a performance indicator.

Theoretical Review

Equity Theory of Motivation

Equity theory of motivation was postulated by Adams (1965) and has since been empirically tested (Okosi, 2020). The theory measures the performance relationships among employees in the organization. The theory found, according to Dusterhoff, Cunningham and MacGregor (2014) that employees' fairness perceptions in terms of job pay, recognition, promotion, bonus and supervision among others are major predicting factors for employees' workplace behaviour and job performance. According to Dusterhoff, *et al*. (2014), the theory has three forms of equity which are distributive, procedural and interactional equity.

Distributive equity as being empirically tested by Dusterhoff, *et al*. (2014) has to do with the fairness of reward in relation to the work contributed by an individual employee and in comparison, with other employees. This has been established as an important factor in appraisal reactions among employees. Procedural equity is concerned with the perception which individual employee has on the fairness of the procedures used in conducting evaluations of reward system which include but not limited to lack of bias, consistency and accuracy. Interaction equity is also concerned with the context of the employees' performance appraisal which is enhanced when an employee is treated with consideration and respect during the appraisal process.

Empirical Studies on the Relationship between Reward System and Employees' Performance

Many researchers and scholars in the past have discussed the influence of reward system on the performance of employees in the organizations (Okosi, 2020). This has further geared up more efforts on the subject to conduct researches that could beam light on the issue. It is in this spirit that this study attempts to review the past research studies. Noorazem, *et al.* (2021) investigated the effect of reward system on employees' performance. The study was carried out in

McDonald's in Perlis and Penang region of Malaysia. The study used structured questionnaire to collect primary data from 132 respondents. Data collected were analyzed using correlations and regression analysis with the aid of SPSS software. The result revealed that reward system has a significant impact on employees' performance.

Onuorah, Okeke and Ibekwe (2019) examined the effect of compensation management on employee performance in Nigerian organization. The study investigated the influence of performance-based compensation. The study was carried out in Anambra State, Nigeria. The study population comprised 257 public secondary school teachers while the sample size for the study consisted of the entire population. The instrument for data collection was a structured questionnaire. Z-test was used to test the hypotheses at 0.05 level of significance. The result showed that equity-based reward has no negative significance effect on employees' performance in Nigerian organization.

Onuegbu and Ngige (2018) conducted a study to identify organizational reward system and its effects on employees' performance in selected polytechnics of South-East Nigeria. The data utilized in this study were obtained from both primary and secondary sources. The primary data were collected through questionnaire and interview while the secondary data were obtained from relevant textbooks, journal and government document. A sample of 210 (employees of the selected polytechnics respondents determined at 5% level of significance for sample error, using Eastman Kodak's sample size for inventory population was selected from a population of 10,972 employees using stratified random sampling technique. Pearson Product-Moment Correlation Coefficient of determination and alienation was conducted to test the correlation between organizational rewards and employee's performance. Student t distribution was employed to test the significant levels of the facets of intrinsic and extrinsic rewards variables. The results of the study reveal that employee rewards policy significantly affects organizational performance.

The study carried out by Idemobi, Ngige, and Ofili (2017) examined the effect of reward system on organizational performance. The data used for the study were collected

through structured questionnaire. Data collected were analyzed using the chi-square test of independence. The result showed that organizational reward system has a significant effect on workers' performance. The result further revealed that there existed a significant relationship between organizations' reward system and workers' attitude to work. There is also a strong and positive relationship between organizations' reward system and job satisfaction.

METHODOLOGY

The study used a descriptive research design. All employees from commercial banks in Osogbo metropolis make up the population of this study, which is over 128. The study also considered only the participants that are permanent staff with the selected banks and this forms the sample frame of the study. The choice of study areas was purposive and convenient. Self-administered structured questionnaire served as operational instrument to collect random sampling primary data from 71 respondents. Therefore, the sample size for this study is 71. Also, the study used secondary source like records provided by the selected commercial banks on their staff. Multiple regression was used with the aid of Statistical Package for Social Sciences (SPSS) for data analysis.

A pilot test was conducted on twenty-seven respondents. Comments obtained from the pilot test were considered accordingly. The questionnaire was measured and the responses were rated on the Likert-scale format with answers ranging from 1-5 (1= strongly disagree to 5= strongly agree) with each dimension having 5 questions. The study reported Cronbach reliability alpha of salary (.81), recognition (.83), bonus (.78) and employees' performance (.75) in order to determine their reliability and soundness, therefore meeting acceptance standards for the study. The banks sampled are United Bank for Africa (UBA) Plc, Fidelity Banks Plc, First Bank Plc, Guaranty Trust Bank Plc, Access Bank Plc, Ecobank Plc, Zenith Bank Plc and Diamond Bank Plc.

Model Specification

Mathematically, this model was adopted for this study and is expressed as follows:

Reward System = F (Sal, Rec, Bo)----------equ 1

Where; Sal = Salaries, Rec = Recognition, Bo = Bonus.

$RS = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \mu$ ----------equ 2

Where; RS= Reward System; X_1= Salaries;
X_2 = Recognition; X_3 = Bonus; μ=
Stochastic error term; α_0= Intercept
and α_1= Regression coefficient.

RESULTS AND DISCUSSION

From this study, salary, recognition and bonus are independent variables while employees' performance is dependent variable. The influence of individual independent variable on dependent variable is shown in the multiple regression table 1 below:

Multiple Regression Analysis Showing the Effect of Reward System on Employees' Performance in Selected Commercial Banks in Osogbo Metropolis, Osun State, Nigeria

Independent variables	Coefficients	Std. Error	t-statistics	p-value
Intercept	3.749	1.527	2.463	.000
Salary	0.372	0.120	0.237	0.021
Recognition	0.251	0.117	1.041	0.082
Bonus	0.328	0.106	1.029	0.014

$R^2 = 0.78$
Adjusted $R^2 = 0.61$
Durbin Watson = 1.84

From table 1, the result showed that dimensions of reward system (salary, recognition and bonus) jointly predicted the employees' performance with F (3, 69) = 2.91; R^2 = 0.78; P<.05. The predictor variables jointly explained 78% of the variance of employees' performance while the remaining 22% could be as a result of extraneous variables effect not captured by this study. Independently, salary (β = 0.372; t = 237; P<0.05); recognition (β = 0.251; t = 1.041; P<0.05) and bonus (β = 0.328; t = 1.029; P<0.05) were significant predictors of employees' performance in the study area. This means that the dimensions of reward system (salary, recognition and bonus among others) have positive and significant effect on employees' performance. The findings of this study are in line with the results of studies carried out by Noorazem, *et al.* (2021); Onuorah, Okeke and Ibekwe (2019); Onuegbu and Ngige (2018) which established that the dimensions of reward

system have a significant impact on employees' performance.

CONCLUSION

The main objective of this study is to examine the effect of reward system on the performance of employees in selected commercial banks in Osogbo metropolis, Osun State, Nigeria. A structured questionnaire-based study was carried out among 71 permanent staff from eight (8) selected commercial banks. The study found that reward system has statistically significant effect on employees' performance in the organizations. This study indicates that equitable reward system for employees in the organizations will encourage them to have improved output and outstanding performance. From the foregoing, it is concluded that equitable reward system improves employees' job attitude, employees' performance and by extension, organizational performance. Based on the above conclusion, it is recommended that management of organization should make use of every dimension of intrinsic and extrinsic reward system to encourage their staff for higher productivity.

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