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# Financial Incentives and Employee Performance of Manufacturing Firms in Anambra State, Nigeria.

**Nnubia, Amara Lovina[1*] and Prof. C.D Ngige, Chigbo D[2]**
[1&2]Department of Business Administration, Faculty of Management Sciences,
Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus

**ABSTRACT**: This study investigated the relationship between financial incentives and employee performance in seven manufacturing firms across the three senatorial zones of Anambra State, Nigeria. A survey research design was employed, drawing on a total population of 1,019 employees to determine a sample size of 287 using Taro Yamane's formula (e = 0.05); of these, 225 completed questionnaires (78.4% response rate) were deemed usable. Data were collected via a structured 20-item Likert-scale questionnaire and analyzed using descriptive statistics, Pearson's product–moment correlation coefficient, and t-tests at the 0.05 significance level. Findings revealed a strong, positive relationship between salary and wages and employee performance ($r = 0.90$; $t_{(223)} = 3.57$, $p < 0.05$), indicating that increases in base pay are associated with significant improvements in productivity and job commitment. Fringe benefits also demonstrated a significant positive correlation with performance ($r = 0.88$; $t_{(223)} = 3.21$, $p < 0.05$), suggesting that non-wage rewards such as health insurance and housing allowances meaningfully enhance worker output and retention. Similarly, bonuses exhibited a significant positive effect on performance ($r = 0.87$; $t_{(223)} = 3.06$, $p < 0.05$), confirming that performance-linked rewards effectively motivate employees to meet and exceed organizational targets. The high correlation coefficients across all incentive types underscore the critical role of well-structured compensation schemes in driving workforce productivity in resource-constrained manufacturing environments. It is recommended that firms adopt competitive salary scales, regularly review fringe-benefit packages, and implement transparent, goal-oriented bonus systems to sustain employee motivation, reduce turnover, and bolster organizational effectiveness.

**Keywords:** Financial incentives, employees performance, manufacturing firms

## 1. INTRODUCTION

In the face of intensifying competition, technological disruptions, and the growing demand for productivity, manufacturing firms in Nigeria, especially in Anambra State, are under increasing pressure to maintain a motivated and high-performing workforce. Financial incentives have emerged as critical tools for enhancing employee performance

and organizational output (Okonkwo & Eze, 2021). These incentives, when effectively administered, can stimulate employee effort, increase job satisfaction, and drive commitment toward achieving organizational goals. However, the effectiveness of such incentives depends largely on how well they align with employee expectations and economic realities.

Financial incentives refer to all monetary compensations given to employees in exchange for their labor, either directly through regular payments or indirectly through benefits and bonuses. Among the most common forms of financial incentives are salaries, wages, fringe benefits, bonuses, and commissions. These components, when properly structured, have been shown to significantly influence worker behavior, improve job performance, and reduce turnover (Adebayo & Ajayi, 2023). In the context of manufacturing firms in Anambra State, where economic challenges are prevalent, financial incentives play an even more critical role in workforce retention and productivity.

Salary represents a fixed regular payment made to employees, usually on a monthly basis, irrespective of hours worked. It provides financial stability and is often used to reflect the value of the employee's role within the organization. According to Ude and Coker (2021), consistent and competitive salaries help foster loyalty, reduce absenteeism, and encourage higher productivity among workers. In Anambra State's manufacturing sector, where living costs continue to rise, the adequacy of salaries directly affects employee morale and overall performance.

Wages**,** on the other hand, are payments made based on hours worked or units produced, typically associated with blue-collar roles. In manufacturing firms, wages are a significant motivator, especially for workers engaged in operational tasks such as machine handling or production line duties. A study by Okafor and Nwachukwu (2022) found that wage disparities and irregular payments were among the leading causes of industrial disputes and low employee output in Nigerian manufacturing firms. Timely and fair wage structures can significantly boost employee effort and reduce labor unrest.

Fringe benefits refer to additional non-wage compensations such as health insurance, housing allowances, transport stipends, and pension contributions. Though not direct cash payments, fringe benefits have been shown to increase employee satisfaction and organizational loyalty (Obi & Nwafor, 2023). In manufacturing environments, where physical strain and health risks are high, access to health insurance and other welfare

benefits serve as powerful incentives that contribute to reduced turnover and enhanced performance.

Bonuses are performance-based financial rewards given to employees for meeting or exceeding specific targets. These incentives are instrumental in driving short-term performance and motivating employees to go beyond their routine responsibilities. A recent study by Eze and Uche (2021) revealed that firms that implemented transparent and goal-linked bonus systems recorded higher levels of innovation and employee engagement. In the competitive manufacturing landscape of Anambra State, bonuses can serve as a strategic lever to achieve efficiency and growth targets.

Financial incentives such as salary, wages, fringe benefits and bonuses play a vital role in motivating employees and improving performance. However, for manufacturing firms in Anambra State to fully leverage these incentives, there is a need for context-specific policies and practices that consider employee expectations, economic realities, and performance metrics. This study, therefore, seeks to examine the relationship between financial incentives and employee performance in manufacturing firms in Anambra State, with a focus on how these variables can be optimized to enhance organizational effectiveness.

**Statement of the Problem**

Employee performance remains a critical driver of competitiveness and growth in the manufacturing industry, yet many firms in Anambra State continue to experience low productivity, high employee turnover, and reduced commitment. While financial incentives are widely acknowledged as key motivators for improved performance, their impact in the local manufacturing context appears inconsistent and poorly understood. The core problem confronting many manufacturing firms in Anambra State is the persistent decline in employee performance, despite the application of various financial incentive schemes such as salaries, wages, fringe benefits and bonuses.

One specific problem contributing to this main issue is the inadequacy and irregularity of salary payments, which undermine employee morale and loyalty. In many firms, salaries are either delayed or fall below industry standards, making it difficult for workers to meet their basic needs, thereby affecting their performance. Secondly, wage structures are often poorly aligned with the intensity or quantity of work done, leading to

dissatisfaction among operational staff who feel their effort is not adequately rewarded. This misalignment between labor and reward diminishes motivation and reduces productivity.

Thirdly, fringe benefits such as health insurance, housing allowances, and pension plans are either non-existent or inconsistently provided, especially in small and medium manufacturing firms. The absence of these benefits creates job insecurity and detachment among employees, resulting in higher attrition rates. Fourth, performance-based incentives like bonuses and commissions are either poorly administered or not linked to clear, measurable targets. This lack of transparency and fairness in reward systems discourages high performance and innovation among workers.

Despite the relevance of financial incentives to workforce productivity, there is a lack of empirical studies that specifically examine how each component—salary, wages, fringe benefits and bonuses—affects employee performance in the manufacturing sector of Anambra State. Most existing research either focuses on the public sector or other regions of Nigeria, creating a contextual and sectorial gap. This study intends to bridge this gap by critically analyzing the relationship between financial incentives and employee performance in selected manufacturing firms in Anambra State, thereby providing practical insights for improving workforce management and organizational effectiveness.

**Objectives of the Study**

The main objective of this study is to examine the relationship between financial incentives and employee performance of manufacturing firms in Anambra State, Nigeria. The specific objectives are:

1. To evaluate the relationship between salary, wages and employee performance of manufacturing firms in Anambra State, Nigeria.
2. To determine the relationship between fringe benefits and employee performance of manufacturing firms in Anambra State, Nigeria.
3. To assess the relationship between bonuses and employee performance of manufacturing firms in Anambra State, Nigeria.

**Hypotheses**

The following null hypotheses were formulated to guide this study:

**$H_{01}$**: There is no significant relationship between salary, wages and employee performance of manufacturing firms in Anambra State.

**$H_{02}$**: There is no significant relationship between fringe benefits and employee performance of manufacturing firms in Anambra State.

**$H_{03}$**: There is no significant relationship between bonuses and employee performance of manufacturing firms in Anambra State.

## 2. LITERATURE REVIEW

### Financial Incentives

Financial incentives encompass a broad range of monetary rewards and penalties intended to influence the behavior of individuals and organizations toward desired outcomes. At their core, they rely on extrinsic motivation—using tangible rewards such as cash payments, bonuses, profit-sharing schemes, or indirect benefits like tax breaks and subsidies to prompt specific actions (Smith & Nguyen, 2020; Johnson et al., 2021; Nduka, Ananwude & Osakwe, 2019). These mechanisms operate both at the individual and collective levels, shaping decisions ranging from a sales agent's daily performance to a government's policy initiatives.

Scholars have long differentiated financial incentives into rewards and penalties, each carrying unique psychological and economic effects. Rewards may be fixed—such as annual bonuses—or variable, like commission tied directly to performance metrics; they can also include spot bonuses for exceptional work (Patel & Lee, 2022). Penalties, on the other hand, take the form of fines, levies, or negative performance adjustments. The design choice between individual-level incentives, which emphasize personal accountability, and group-level schemes, which foster teamwork, further influences outcomes—group incentives can build collaboration but sometimes dilute individual effort (Garcia, 2023).

### Salary and wages

Salary and wages constitute the fundamental monetary recompense that employers provide to employees in exchange for their labor, yet scholars offer nuanced definitions that emphasize distinct facets of this compensation. Brown and Smith (2020) describe wages as periodic payments based on hours worked or units produced, highlighting their transactional nature and linkage to labor time. In contrast, Johnson and Lee (2021) define salary as a fixed remuneration paid at regular intervals—typically monthly or annually—irrespective of exact hours worked, underscoring its role in providing income stability. These definitions illustrate that, while both salary and wages compensate labor, wages tend to vary with effort or output, whereas salary reflects a contractual agreement that smooths earnings over time.

**Fringe benefits**

Fringe benefits—often termed employee benefits or perks—refer to non-wage compensations provided by employers to enhance the overall remuneration package and support employee well-being. Smith and Ahmed (2020) define fringe benefits as "indirect financial and non-financial rewards beyond basic salary, designed to attract, retain, and motivate employees" (p. 45). Johnson and Bello (2021) expand this definition by emphasizing their strategic role, describing fringe benefits as "a set of supplementary offerings—ranging from health insurance to retirement contributions—implemented to align workforce satisfaction with organizational goals" (p. 112). According to Ofori-Boateng and Chen (2023), these benefits function as "tools for reinforcing employer branding, reducing turnover intentions, and promoting a positive corporate culture" (p. 78).

**Bonuses**

Bonuses are commonly understood as discretionary or formula-based payments offered in addition to base salary to recognize performance, foster motivation, or achieve strategic objectives. Aguinis, Joo, and Gottfredson, 2020; Tunde, Omotayo, Austin & Afamefuna, 2016) define bonuses as "variable pay components contingent upon individual, team, or organizational achievements, designed to reinforce desired behaviors". Armstrong and Brown (2021) expand this definition to include both "spot bonuses"—one-time rewards for exceptional achievements—and "structured bonuses" tied to pre-determined targets, emphasizing their role in aligning short-term efforts with long-term goals.

**Employee performance**

Employee performance is often defined in terms of both effectiveness and efficiency, focusing on how well individuals achieve organizational objectives using available resources. Aguinis and O'Boyle (2020) describe performance as "the record of outcomes produced on a specified job function or activity during a specified time period," emphasizing measurable results. Similarly, DeNisi and Murphy (2021) highlight that performance encompasses not only the quantity of work but also the quality and timeliness with which tasks are completed.

A behaviorally oriented perspective frames employee performance as the constellation of observable actions that contribute to organizational goals. Campbell et al. (2022) contend that focusing on behaviors—such as communication, cooperation, and problem-solving—provides a more nuanced

understanding of performance than outcome measures alone. This approach underscores that effective performance management must monitor and reinforce the underlying actions that drive results.

## Theoretical Framework

This work is anchored on Expectancy Theory by Victor Vroom in 1964.

## Expectancy Theory

Expectancy Theory, first articulated by Victor Vroom in 1964, offers a rich framework for understanding how employees in manufacturing firms decide how much effort to invest in their work. Vroom argued that motivation emerges from the interplay of three cognitive beliefs: the likelihood that effort will lead to successful performance, the perceived connection between performance and subsequent rewards, and the value that individuals assign to those rewards. In this original formulation, Vroom highlighted that without confidence in any one of these beliefs—known respectively as expectancy, instrumentality, and valence—an individual's overall motivation collapses. In 1968, Porter and Lawler revisited Vroom's model to incorporate considerations of equity and fairness. They demonstrated that employees not only evaluate the clarity of the effort-to-reward link but also compare their own reward-outcome ratios to those of their peers, finding that perceptions of distributive justice can significantly amplify or undermine motivational forces.

The evolution of Expectancy Theory did not stop in the late 1960s. In 2011, Lunenburg provided a contemporary reassessment of Vroom's ideas, arguing that in today's complex organizational environments, managers must explicitly communicate performance standards and reward criteria to ensure that employees understand how their individual contributions translate into tangible benefits. Lunenburg's work underscores the necessity of cultural alignment: what counts as a valuable reward in one context—such as cash bonuses—may differ markedly in another, where non-monetary rewards or social recognition carry greater weight. Applying these insights to manufacturing firms in Anambra State, Nigeria, implies that management must establish clear, measurable production targets, publicly share performance metrics, and offer rewards that resonate with workers' cultural and personal priorities. Only when employees believe that extra effort will reliably produce valuable outcomes do they invest the discretionary effort necessary to boost productivity, maintain quality standards, and minimize waste.

**Salary & Wages and Employee Performance**

Salary and wages constitute the foundational elements of employee compensation, representing fixed monetary payments provided in exchange for labor. Wages are typically hourly or daily rates paid to workers, often in manual or unskilled roles, whereas salaries are fixed annual sums divided into regular pay periods, commonly applied to professional or managerial positions (Armstrong, 2020). Both forms of compensation serve not only to meet employees' basic economic needs but also to signal the organization's valuation of their skills and contributions. As such, salary and wage levels can influence employees' sense of fairness and their perceptions of organizational justice, which in turn affect their motivation and engagement (Colquitt et al., 2021).

**Fringe Benefits and Employee performance**

Fringe benefits—also known as perquisites or non-wage compensations—comprise a range of employer-provided rewards that extend beyond base salary to address employees' broader needs. These often include health insurance, retirement contributions, educational allowances, housing stipends, and paid leave. Armstrong (2020) argues that such benefits serve both as tools for meeting employees' socio-economic needs and as strategic levers for enhancing organizational commitment, while Dessler (2021) emphasizes their role in improving work–life balance and reducing turnover intentions.

**Bonuses and Employee Performance**

Bonuses are a form of contingent financial reward granted to employees upon achieving predefined performance targets, typically over a short-term period. According to Armstrong (2020), bonuses function as extrinsic motivators that strengthen the link between individual effort and organizational outcomes, while Gomez-Mejia, Balkin, and Cardy (2021) argue that they serve both as recognition of past achievements and as signals of future expectations. In this sense, bonuses differ from base pay in their flexibility and their explicit tie to performance metrics.

**Empirical Review**

Adeyemi and Okonkwo (2021) examined the relationship between salary levels and employee productivity in Lagos-based manufacturing firms. This study aimed to determine how base pay and overtime compensation influence workers' output, quality adherence, and safety compliance. The researchers employed the Statistical Package for the Social Sciences (SPSS) for descriptive

and inferential analysis, surveying 300 production employees across three factories. Findings revealed that competitive base salaries ranked highest in motivating consistent output, while overtime pay was second in reducing defect rates. A strong positive relationship was found between salary levels and overall productivity, and between base pay and safety compliance. However, no significant link emerged between overtime compensation and employees' willingness to participate in continuous improvement initiatives.

Nguyen (2022) investigated the impact of wage increases on service quality among frontline bank employees in Ho Chi Minh City. The study sought to identify the role of salary increments in enhancing customer satisfaction, transaction accuracy, and cross-selling performance. Data from 250 tellers and customer service officers were analyzed using SPSS descriptive statistics and regression models. Results showed that salary increment perceptions were highest for transaction accuracy, followed by customer satisfaction. Wage increases significantly predicted improvements in cross-selling performance and customer satisfaction, but had no statistically significant effect on employees' participation in bank-wide innovation programs.

Osazevbaru and Ogbuma (2024) investigated the effect of fringe benefits on employee performance in selected local government councils in Delta State, Nigeria. Utilizing a survey research design, questionnaires were administered to 167 employees across four councils. The study focused on retirement and educational/house allowance benefits. Data analysis involved descriptive statistics and multiple regressions. Findings indicated that both retirement benefits and educational/house allowances positively and significantly influenced employee performance. The authors recommended that the Civil Service Commission should enhance these benefits to boost employee loyalty and productivity.

Lawal (2023) examined the effects of fringe benefits on employee productivity in selected food and beverage production organizations in Ogun State, Nigeria. The study employed a survey design with 210 respondents and analyzed data using SPSS. Results demonstrated that competitive fringe benefits significantly reduced labor turnover and enhanced job satisfaction, motivation, and performance. The study concluded that effective fringe benefit schemes are crucial for organizational stability and employee retention.

Ibrahim (2023) examined the impact of performance bonuses on employee

productivity in the manufacturing sector in Kaduna State, Nigeria. The study aimed to assess how monthly bonuses, annual incentives, and attendance rewards influenced output levels and time management. Using structured questionnaires and SPSS regression analysis on a sample of 312 employees, the study found that monthly bonuses significantly improved daily productivity, while attendance rewards enhanced punctuality. Annual incentives showed no significant effect on time management.

Eze and Obinna (2022) conducted a study on the relationship between bonus structures and salesforce performance in pharmaceutical companies in Anambra State. The study investigated how target-based bonuses and team performance rewards influenced sales volume and customer satisfaction. Data were collected from 180 sales staff and analyzed using Pearson correlation. The results showed that target-based bonuses had a strong positive correlation with individual sales volume, while team performance bonuses had a moderate relationship with customer satisfaction.

## 3. METHODOLOGY

The study adopted a survey research design to examine the effects of monetary incentives on workers' performance in selected manufacturing firms across the three senatorial zones of Anambra State, Nigeria. Fieldwork was conducted in Awka, Nnewi, and Onitsha—cities that collectively host the seven firms selected for their commercial prominence and staff strength above seventy employees. Data were gathered through both primary and secondary sources: primary data were collected via a structured, two-section questionnaire administered to staff, while secondary information was obtained from journals, textbooks, strategic periodicals, and reputable online resources. From a total population of 1,019 employees drawn from Juhel Pharmaceutical Limited, Millennium Industries Limited, Ibeto Group of Companies, Cutix Cable Manufacturing, Eastern Distillers West Africa, Life Breweries, and Innoson Group of Companies, a sample size of 287 was determined using Taro Yamane's formula at a 5% margin of error ($n = N/[1 + N(e)^2]$). Proportional stratified random sampling ensured each firm's representation reflected its share of the overall workforce, yielding allocation ratios of 29:31:38:35:89:45:20 for the respective companies. Within each stratum, simple random sampling selected individual respondents, and purposive sampling further refined the pool to include only those in senior and junior administrative roles deemed most knowledgeable about monetary incentive schemes. The research instrument—a 20-item, close-ended questionnaire employing a

five-point Likert scale ranging from "strongly agree" to "strongly disagree"—was pretested with data analysts and piloted among lecturers at Federal Polytechnic, Oko, to establish content validity and clarity. Reliability was confirmed through a test–retest procedure over a two-week interval, yielding Spearman rank correlation coefficients averaging 0.73, indicative of acceptable stability. Of the 287 questionnaires distributed, 225 (78.4%) were duly completed and deemed usable. Data analysis combined descriptive statistics (frequency distributions and percentages) with inferential techniques: Pearson's product–moment correlation coefficient was used to test relationships between variables, and the t-test assessed the significance of observed correlations at the 0.05 level.

## 4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

**Socio-Economic Profile of the Respondents.** This table is the analysis of the socio-economic profile of the staff of the seven firms under study in Anambra State.

**Table 4.1.1 DEMOGRAPHIC DATA OF RESPONDENTS**

| ITEM | RANGE (YEARS) | FREQUENCY | PERCENTAGE |
|---|---|---|---|
| **Males** | | 88 | 39.1 |
| **Female** | | 137 | 60.9 |
| **Total** | | 225 | 100 |
| **Age:** | 20-29 | 44 | 19.6 |
| | 30-39 | 80 | 35.6 |
| | 40-49 | 69 | 30.7 |
| | 50-59 | 24 | 10.6 |
| | 60 & above | 8 | 3.5 |
| **Total** | | **225** | **100** |
| **Educational qualification** | GCE/WASCE | 57 | 25.3 |
| | OND/NCE | 76 | 33.8 |
| | HND/B.Sc | 68 | 30.2 |
| | M.Sc/MBA/Others | 24 | 10.7 |
| **Total** | | **225** | **100** |
| **Work Experience** | >1 year | 24 | 10.7 |
| | 1-5years | 62 | 27.5 |
| | 6-10years | 67 | 29.8 |
| | 10years & above | 72 | 32 |
| **Total** | | **225** | **100** |

| | | | |
|---|---|---|---|
| **Monthly income** | Less than #20,000.00 | 15 | 6.6 |
| | #21,000.00-#40,000.00 | 69 | 30.7 |
| | #41,000.00-#60,000.00 | 83 | 36.9 |
| | #61,000.00 & above | 58 | 25.8 |
| **Total** | | **225** | **100** |

**Source: Field, 2024**

Table above indicates that 88staff are males while 137 are females. This is presented by 39.1% and 60.9% respectively. Concerning the age, majority is within the age range of 30-39 and 40-49 years. These are represented by 80 respondents and 35.6% and 69 respondents and 30.7%. The minorities are within the range of 20-29 years represented by 44 and 19.6%, 50-59 represented by 24 and 10.6%, and 60 years and above represented by 8 and 3.5%. Concerning the educational qualification, majority of the workers shows that they obtained tertiary educational qualification. This is represented by 34.8%.

About work experience, most of the staff has about 10 years and above experience and it is represented by 72 respondents and 32%, 6-10 years experience and it is represented by 67 respondents and 29.8%. The minorities are within the range of > 1 year represented by 24 and 27.5% and 1-5 years represented by 62 and 27.5%. About monthly income, most of the staff earn #41,000.00-#60,000.00 has about 10 years and it is represented by 83 respondents and 36.9%, and #21,000.00-#40,000.00 and it is represented by 69 respondents and 30.7%. The minorities are within the range of > than #20,000.00 and it is represented by 15 and 6.6% and #61,000.00 & above and it is represented by 58 and 25.8%.

**Testing of Hypotheses**

Under this section, the research hypotheses will be tested.

**Hypothesis One**

Ho: There is no significant positive relationship between salary, wages and employee performance.

Hi: There is a significant positive relationship between salary, wages and employee performance.

**Table 4.2.1Calculation of correlation coefficient for hypothesis one**

| S/N | OPTIONS | X POINTS | Y RESPONSES | XY | $X^2$ | $Y^2$ |
|---|---|---|---|---|---|---|
| **1** | Strongly Agree | 5 | 108 | 540 | 25 | 11025 |
| **2** | Agree | 4 | 86 | 344 | 16 | 7396 |
| **3** | Undecided | 3 | 6 | 18 | 9 | 36 |
| **4** | Disagree | 2 | 13 | 26 | 4 | 169 |
| **5** | Strongly Disagree | 1 | 12 | 12 | 1 | 144 |
| | Total | 15 | 225 | 940 | 55 | 18770 |

**SOURCE: FIELD SURVEY, 2024**

**Using the Pearson product moment correlation coefficient formula given as:**

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

$$r= \frac{5(940)-(15).(225)}{\sqrt{[5(55)-(225)[5(18770)-(50625)]}}$$

1325

1470

r= 0.90

The correlation coefficient r= 0.90 as shown above is an indication that there is a significant positive relationship between salary and wages and workers performance. Nevertheless, there was a need to equally estimate for the significance of the coefficient and to ascertain whether the claim of the null hypothesis would still remain valid after the test. T-test for test of significance was adopted as follows:

$$T_{cal}= \sqrt{\frac{n-2}{1-(r)^2}}$$

Substituting the value of the correlation coefficient r= 0.87 in the above formula. We obtained the result:

$$T_{cal}= 0.90\sqrt{\frac{5-2}{1-(0.90)^2}}$$

$T_{cal}$= 3.57

But $t_{0.05}$, 3= 2.35

Therefore the null hypothesis was rejected since $T_{cal}$= 3.57 > $T_{tab}$=2.35, and the alternative which suggest that salary and wages have a motivating potential in

increasing employee performance in an organization.

**Hypothesis Two**

Ho: There is no significant positive relationship between fringe benefits and employee performance.

Hi: There is a significant positive relationship between fringe benefits and employee performance.

**Table 4.2.2 Calculation of correlation coefficient for hypothesis two**

| S/N | OPTIONS | X POINTS | Y RESPONSES | XY | $X^2$ | $Y^2$ |
|---|---|---|---|---|---|---|
| **1** | Strongly agree | 5 | 106 | 530 | 25 | 11236 |
| **2** | Agree | 4 | 78 | 312 | 16 | 6084 |
| **3** | Undecided | 3 | 9 | 27 | 9 | 81 |
| **4** | Disagree | 2 | 16 | 32 | 4 | 256 |
| **5** | Strongly disagree | 1 | 16 | 16 | 1 | 256 |
| | Total | 15 | 225 | 917 | 55 | 17913 |

**Using the Pearson product moment correlation coefficient formula given as:**

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

$$r = \frac{5(917) - (15).(225)}{\sqrt{[5(55) - (225)][5(17913) - (50625)]}}$$

1210

**1395**

**R= 0.88**

The correlation coefficient r= 0.88 as shown above is an indication that there is a significant positive relationship between fringe benefits and employee performance. Nevertheless, there was a need to equally estimate for the significance of the coefficient and to ascertain whether the claim of the null hypothesis would still remain valid after the test. T-test for test of significance was adopted as follows:

$$T_{cal} = \sqrt{\frac{n-2}{1-(r)^2}}$$

Substituting the value of the correlation coefficient r= 0.87 in the above formula. We obtained the result:

$T_{cal}= 0.88\sqrt{\frac{5-2}{1-(0.88)^2}}$

$T_{cal}= 3.21$

But $t_{0.05}$, 3= 2.35

Therefore the null hypothesis was rejected since $T_{cal}$= 3.21 > $T_{tab}$=2.35, and the alternative which suggest that fringe benefits have an impact on employee performance.

**Hypothesis Three**

Ho: There is no significant relationship between bonuses and employee performance.

Hi: There is a significant positive relationship between bonuses and employee performance

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**Table 4.2.3 Calculation of correlation coefficient for hypothesis three**

| S/N | OPTIONS | X POINTS | Y RESPONSES | XY | $X^2$ | $Y^2$ |
|---|---|---|---|---|---|---|
| **1** | Strongly agree | 5 | 110.2 | 551 | 25 | 12144 |
| **2** | Agree | 4 | 79.4 | 318 | 16 | 6304 |
| **3** | Undecided | 3 | 6 | 18 | 9 | 36 |
| **4** | Disagree | 2 | 15 | 30 | 4 | 225 |
| **5** | Strongly disagree | 1 | 14.4 | 14.4 | 1 | 207 |
| | Total | 15 | 225 | 931.4 | 55 | 18916 |

**Using the Pearson product moment correlation coefficient formula given as:**

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

$r= \frac{5(931.4)-(15).(225)}{\sqrt{[5(55)-(225)[5(18916)-(50625)]}}$

1282

**1482**

**R= 0.87**

The correlation coefficient r= 0.87 as shown above is an indication that there is a significant positive relationship between bonuses and employee performance.

Nevertheless, there was a need to equally estimate for the significance of the coefficient and to ascertain whether the claim of the null hypothesis would still remain valid after the test. T-test for test of significance was adopted as follows:

$T_{cal} = \sqrt{\frac{n-2}{1-(r)^2}}$

Substituting the value of the correlation coefficient r= 0.87 in the above formula. We obtained the result:

$T_{cal} = 0.87\sqrt{\frac{5-2}{1-(0.87)^2}}$

$T_{cal}$= 3.056

But $t_{0.05}$, 3= 2.35

Therefore the null hypothesis was rejected since $T_{cal}$= 3.056 > $T_{tab}$=2.35, and the alternative which suggest that there is a significant positive relationship between bonuses and employee performance.

**Discussion of Results**

**First Hypothesis: Salary and Wages and Employee Performance**

The results confirmed that salary and wages play a pivotal role in motivating employees and improving their performance. This finding is consistent with the study by Adeyemi and Okonkwo (2021), which showed that competitive base salaries strongly influenced workers' output, quality adherence, and safety compliance in Lagos-based manufacturing firms. Similarly, Nguyen (2022) found that wage increases led to enhanced service quality and customer satisfaction among bank employees. Furthermore, Kumar and Singh (2023) emphasized that perceived fairness in salaries improves task completion and collaboration. These results underscore that adequate and fair compensation enhances employee engagement, productivity, and commitment to organizational goals.

**Second Hypothesis: Fringe Benefits and Employee Performance**

The second hypothesis demonstrated that fringe benefits have positively significantly relationship with employee performance. This aligns with the findings of Osazevbaru and Ogbuma (2024), who reported that retirement and housing benefits significantly boosted employee productivity in Delta State's local government councils. Lawal (2023) also established that competitive fringe benefits reduce labor turnover and enhance job satisfaction in food and beverage firms. Moreover, Agbo and Okeoma (2022) emphasized the importance of pension plans

and health allowances in improving performance in the hospitality sector. Collectively, these studies reinforce the notion that non-salary incentives are key drivers of motivation and retention, as also emphasized by Herzberg's hygiene theory, which recognizes fringe benefits as essential but not solely sufficient for motivation.

**Third Hypothesis: Bonuses and Employee Performance**

The study found that bonuses have a positive significant relationship with employee performance, corroborating the findings of Ibrahim (2023), who showed that monthly and attendance bonuses improved productivity and punctuality in manufacturing firms. Similarly, Eze and Obinna (2022) found that target-based bonuses increased sales volumes in pharmaceutical companies. Adekunle (2021) also revealed that end-of-year bonuses boosted morale and task completion in financial institutions. These empirical results highlight how bonuses function as performance-based rewards that reinforce desirable employee behaviors and outputs.

## 5. CONCLUSION

In essence, the study establishes that financial incentives are critical tools for enhancing employee performance. However, for these incentives to be fully effective, they must be implemented fairly, consistently, and in alignment with the organization's goals, culture, and employee expectations. Organizations that fail to adopt strategic compensation systems risk low productivity, high turnover, and reduced employee engagement.

Based on the findings of this study and the established significant relationship between financial incentives and employee performance, the following recommendations are made:

1. Manufacturing firms should ensure that employees are compensated with fair and competitive salaries relative to industry standards. This not only enhances performance but also fosters a sense of value and appreciation among staff.
2. Manufacturing firms should improve and regularly review fringe benefits such as health insurance, housing, pensions, and educational allowances. These benefits play a critical role in boosting employee motivation, loyalty, and job satisfaction.
3. Manufacturing firms should design and implement transparent bonus schemes tied to clear performance metrics. Bonuses should be structured to reward outstanding contributions and encourage continuous improvement across departments.

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