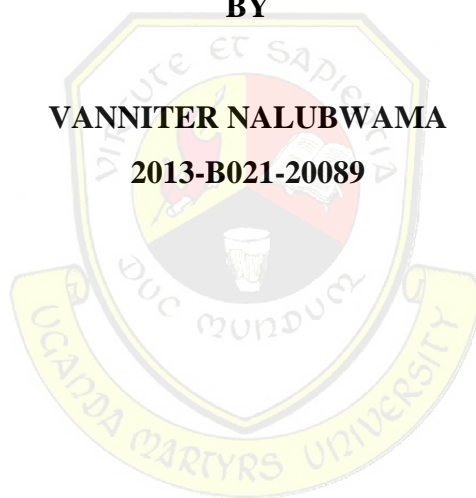


**THE EFFECT OF MONETARY REWARDS ON THE PERFORMANCE OF  
WORKERS IN COMMERCIAL BANKS: A CASE STUDY OF  
CENTENARY RURAL DEVELOPMENT BANK,  
RUBAGA BRANCH.**

**BY**

**VANNITER NALUBWAMA**

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## **LIST OF ABBREVIATIONS**

- CERUDEB : Centenary Rural Development Bank  
SPSS : Statistical Package for Social Scientists

## **ABSTRACT**

The purpose of the study was to establish the relationship between monetary rewards and the performance of workers with specific emphasis on salary, allowance and bonuses. The research design adopted in this study was a case study design. The study population included the staff of centenary bank [Mapeera branch] a total of 50 respondents were selected for the study. Simple random sampling was used to select respondents in the field. The questionnaires were used and administered to the employees working with the organization. Data from the questionnaires was coded, entered, edited for consistency and easiness in and later analyzed using Statistical Package for Social Scientists (SPSS) where correlation was used to establish the relationship between monetary rewards and performance of workers. Regarding the study results, it was revealed that monetary rewards like salary affect the performance of workers. The results also showed that allowances also have an impact on the performance of workers in the organization.

The researcher recommended that the management of the company should increase on the monetary incentives or rewards like salary, allowance and bonus so as to improve and motivate the performance of workers, this will also improve efficiency, customer service, task performance among others in the organization. Areas of further research were as follows; impact of employee training on organizational performance, impact of job rotation on employee performance and impact of integrated financial management systems of level of service delivery.



## CHAPTER ONE

### 1.1 Introduction

Under this chapter the following aspects were looked at; the background of the study which involved looking at both variables that is to say monetary rewards [independent variable] and performance of workers (dependent variable) , history of the case study (commercial banks), statement of the problem, the purpose of the study, research objectives, research questions scope of the study ( content scope, geographical scope and the time scope), significance of the study, definition of key terms, and the conceptual frame work.

The study investigates the effect of monetary rewards on the performance of workers in commercial banks. Monetary rewards are frequently suggested as a method for increasing the motivation and performance of employees and to align the employee's objectives with the companies. The purpose of monetary incentives is to reward associates for excellent job performance through money. Monetary incentives include profit sharing, project bonuses, stock options and warrants, scheduled bonuses (e.g., Christmas and performance-linked), and additional paid vacation time. Khan (2014) argued that, the management of financial institutions is to find out measured needs and motivators, which will make reaction of an employee according to desires to increase productivity of organization.

According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.). 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. The reason why monetary rewards can be a

powerful motivator of employee performance and also help attract and retain top performers is that they help meet a variety of basic needs (e.g., food, shelter) and also higher-level needs (e.g., belonging to a group, receiving respect from others, achieving mastery in one's work) (Long & Shields, 2010).

This study will therefore create a deeper understanding about the motivational effects of monetary incentives on commercial bank employees. New knowledge in this area would be very valuable for banks in order to use the bank's scarce resources in the most efficient way. The first chapter provides the reader with a background and a discussion that leads up to the forthcoming question, the purpose with the study and its scope.

## **1.2 Background of the Study**

Globally, monetary and non-monetary rewards are provided in organisational setting with a view to motivating and influencing individuals, team and organisational behaviour for the achievement of strategic objectives and performance of organizations (Randhawa, 2008). In consideration of the era of global hyper competitiveness in the business world, rewards are fundamental imperatives to derive maximum employee inputs, retention, commitment from workers and industrial harmony between the workforce and manufacturing concerns (Hill and McShane, 2008). In Sub-Saharan Africa, a good number of firms do not provide appropriate mix of rewards to stimulate individual and sub-unit behaviour to attain strategic goals resulting in dwindling performance in the manufacturing sub-sector (Eburajolo, 2004).

Monetary rewards are those that include base pay, cost-of-living adjustments, short-term incentives, and long-term incentives (Aguinis, 2013). Not surprisingly, organizations that provide higher pay levels and tie pay to individual performance enjoy high levels of return on

assets. The reason why monetary rewards can be a powerful motivator of employee performance and also help attract and retain top performers is that they help meet a variety of basic needs (e.g., food, shelter) and also higher-level needs (e.g., belonging to a group, receiving respect from others, achieving mastery in one's work) (Long & Shields, 2010).

Employee motivation is the level of energy, commitment, and creativity that a company's workers apply to their job (Ebrurajolo, 2004). In effect, it is the ability to activate human potentials, influence human efforts and will to do a given job. Mullins (2005) contends that having the workforce with the right talents and skills is not enough for realization of maximum results, but individual effort, motivation and employee retention are keys to maximizing organisational productivity and performance. Therefore, the performance of an individual employee or the entire workforce is a major determinant to organizational success

The management of banks had to rise up to see that they planned adequately to meet the needs of their different group. Apart from the needs of their various stakeholders, Ugandan banks like every other profit-making organization, most especially in this period of banking reforms, maintain a well motivated workforce. A well motivated workforce or employees facilitate the achievement of organizational goals and objectives (Perry et al, 2007). Moreover, with the limited human resources present in these banks would have to be managed adequately using appropriate labor incentives. Financially packaged incentives and other monetary rewards are frequently used by Ugandan banks as motivations for better performance.

The performance of Ugandan banks could be linked to the kind of employees' monetary motivation systems implemented in the banks (Businge, 2014). This is because in Uganda

today, salaries and allowances are used as motivational instrument for increasing performance, productivity, and achievements of goals and objectives in both private and public organizations. Are monetary incentives having a significant impact on the performance of banks in Uganda? This study, therefore, assesses and evaluates the impact of employees' monetary motivation on the performance of workers in banks in Uganda.

In centenary rural development bank as one of the financial institutions in Uganda, there has been steady growth and development evidenced by increase in deposits, shareholder's equity, Net loan and advances, and Total bank assets (Financial Statement, 31<sup>st</sup> December 2010). Thus basing on this background, this research seeks to investigate the effects of monetary rewards on the performance of workers in Centenary Rural Development Bank.

## **1.2 Statement of the Problem**

Monetary rewards are very powerful motivators, and the effect that monetary rewards have on motivation often translates into other positive outcomes such as employee retention. In addition, benefits of monetary rewards seem to be global and have been documented not only in the United States but also in many other countries and industries around the world including China (Du & Choi, 2010). In spite of the research-based evidence, managers and other organizational decision-makers often seem to lose sight of the principle that that people do what you pay them to do, not what you ask them to do (Cascio & Cappelli, 2009). One likely reason for the lack of generalized acceptance of this principle is that results of employee surveys seem to suggest that monetary rewards are not among the most important motivating factors. However, this study aims to establish whether the value of monetary rewards at Centenary Bank does reflect in the performance of the bank.

## **1.4 Purpose of the study**

The purpose of the study is to examine the effect of monetary rewards on the performance of commercial banks in Uganda.

## **1.5 Specific objectives**

- i). To examine the effect of salary on staff performance in commercial banks.
- ii). To establish the relationship between allowances and employee performance in commercial banks.
- iii). To examine the effect of bonuses on employee performance in commercial banks.

## **1.6 Research questions**

- i). What is the effect of salary on staff performance in commercial banks?
- ii). What is the relationship between allowances and employee performance in commercial banks?
- iii). What is the effect of bonuses on employee performance in commercial banks?

## **1.7 Scope of the study**

### **1.7.1 Content scope**

This study will investigate the effect of salary on staff performance, the effect of allowances on employee performance, and the effect of bonuses on employee performance in Centenary Bank.

### **1.7.2 Geographical scope**

The research was carried out at the premises of centenary bank [Mapeera branch] located at Kampala- Jinja road opposite Constitution Square. This area was chosen because of its convenience for the researcher and also the willingness of staff to provide data to help in the research study.

### **1.7.3 Time scope**

The period under study covered a period between 2013 to 2015. This period was deemed enough to help the researcher determine the relation of monetary incentives on the performance of workers.

### **1.8 Significance of the study**

This study will be helpful to many managers and leaders in our society to identify the things that they need to do in order to successfully motivate their employees to perform at their best. As a future manager, this knowledge will therefore help me to understand what new strategies I could implement in order to motivate employees to achieve optimal business results. It is evident that there is a need for this study because of the many companies that are constantly spending money on various ways to increase employee motivation.

The research findings would create awareness to the management of centenary rural development Bank on motivation of employees in policy making and implementation. This can translate in organization success.

The findings of this research would add on the existing literature that would help other interested researchers to formulate related research questions on related issues of employee motivation and worker performance.

It is hoped that this research may also help the public to discover the importance of monetary rewards on the performance of workers of organizations in Centenary Rural Development Bank particularly in the business environment as well.

The research report would also contribute to the researcher to acquire award of Bachelors Degree in Business Administration of Uganda Martyrs University.

## **1.8 Justification**

There is the need now than never to rediscover the weaknesses and the strengths of incentives used in motivating employee attitude to serve as a basis for further improvement. Monetary rewards is one of the important aspects in organizations operation, in spite of the enormous research, basic as applied, the subject of monetary incentives are not clearly understood and more often poorly practiced especially in the banking industry. Monetary incentive is a money based reward given when an employee meets or exceeds expectation, which may include cash bonus, profit sharing among others. Monetary rewards are given in order to influence the performance of workers therefore without monetary rewards in and organization workers may not perform effectively. The study will therefore shed more light into the effectiveness of monetary incentives and how they influence performance of commercial banks in Uganda.

## **1.9 Definition of key terms**

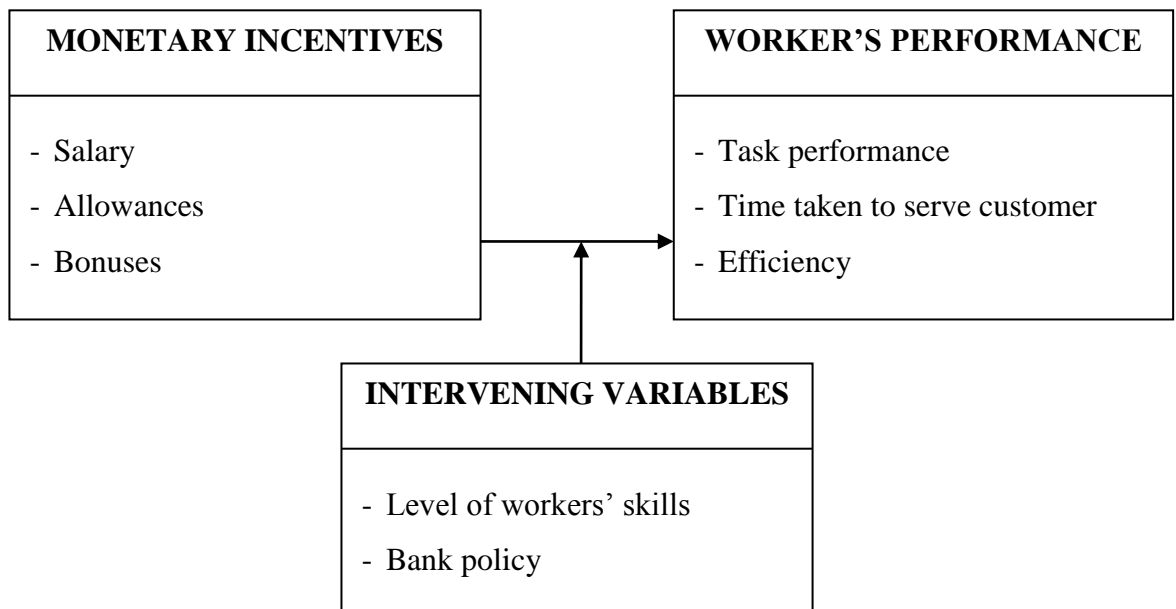
### **Monetary rewards**

According to Armstrong [2010] defined monetary reward as the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goal is recognized and rewarded.

### **Employee performance**

Employee performance is the quantity and quality of work which is expected from an employee [Business dictionary]

## 1.9 Conceptual Framework



### 1.9.1 Description of the conceptual framework

The conceptual framework above shows that workers' performance is dependent on monetary incentives which include salary, allowances, and bonuses among employees. The indicators of worker performance are task performance, time taken to serve customer, and efficiency. On the other hand, the performance of workers in Centenary bank can be influenced by other factors such as the level of workers' skills and bank policy.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents related literature and it would be presented in themes namely; the effect of salary increase on staff performance, the effect of allowances on employee performance, and the effect of cash bonuses on employee performance.

#### **2.1 Monetary Rewards**

In this review monetary incentive refers to incentives which are paid as money. Most commonly used types of monetary incentives are gain sharing and profit sharing. Among different incentives monetary incentives are the most researched and several studies have researched how monetary incentives affect motivation and performance. Many of the researchers have found positive correlation between monetary incentives and performance. Stajkovic and Luthans (2010) conducted an empirical study in two facilities which conducted the same tasks and located several miles apart from each other. According to study monetary incentives improved performance over 30 per cent compared with those who did not get incentives. Also other researchers have conducted similar empirical studies and found that performance increase in groups with monetary bonus systems whereas in control groups performance usually stays at the same level (Condly, Clark & Stalovictth 2013, p. 51).

Kepner et al (2011) explained that the purpose of monetary incentives is to reward employees for excellent performance through money. He noted that monetary incentives include profit sharing, project bonuses, stock options, warrants and scheduled bonuses (e.g. Christmas and performance-linked and additional paid vacation). Traditionally, these have helped maintain a

positive motivational environment for employees. However, it is not clear whether monetary incentives are given to bank employees in Centenary Bank and their effect on performance.

Most employers like Centenary Rural Development Bank in Uganda are looking for ways to maximize employee productivity and efficiency. But how can employees be motivated to work toward this goal? Some say it cannot be done, that motivation is intrinsic and therefore, nearly impossible to influence through external means (Jamer, 2014, p. 19). Others say that there are plenty of ways to improve employee motivation and the key is finding what the employee values (Condly et al. 2013, p. 56). One of the primary means employers turn to in their efforts to improve employee motivation and thereby increase productivity, efficiency, and profits is money. Bonuses and incentive pay schemes are often looked at as a means to change employee behaviors.

Cole (2010) posited that benefits are forms of compensation beyond wages for time worked, including various protection, man's services, pay for time not worked, and income supplements. Such benefits include housing allowance, transport allowance. In spite of the positive role monetary incentives have played, workers tend to have different attitude towards money incentives. The most common of the diverse reaction to wages and salaries by workers is that once it exceeds minimum levels, it is regarded as a measure of fairness.

Gellermen (2014) insisted that pay, if only it could be properly packaged would somehow bring about the desired approach to work. Adam (2011) argued that employee's perception of his pay in relation to other employees of similar status could affect the satisfaction, which he gets from the job. From his work, when there is a discrepancy between what he gets and his

efforts in relation to what employees of similar status gets, the employee become dissatisfied with the job.

Incentives systems are clearly related to the expectancy theory of motivation. The effort-to-performance expectancy is strongly influenced by the performance appraisal that is often part of the reward system. An employee is likely to expend extra effort if he or she knows that performance will be measured, evaluated, and rewarded. The performance-to-outcome expectancy is affected by the extent to which the employee believes that performance will be followed by rewards. Finally, as expectancy theory predicts, each reward or potential reward has a somewhat different value for each individual. One person may want a promotion more than benefits; someone else may want just the opposite.

Individual incentives are given to reward the effort and performance of individuals. Some of the most common means of providing individuals variable pay includes piece-rate systems, sales commissions, and bonuses. Others include special recognition rewards such as trips or merchandise. Two widely used individual incentives focus on employee safety and attendance. However, individual incentives can present drawbacks. One of the potential difficulties with individual incentives is that an employee may focus on what is best individually and may block or inhibit performance of other individuals with whom the employee is competing (Cole, 2010).

Another advantage of using money to motivate employees is that a company has broad options in terms of the way to use it (Belcher, 2014). From special bonuses to commission pay to gift certificates and cash rewards, money can be used in a variety of ways to get employees to strive for bigger and better goals. Moreover, companies have the option to

change it up, depending on the specific goal in mind, so that cash isn't always the best in which money can be used to motivate; sometimes, it can be increased benefits that save the employee money without the company needing to write a check at the time.

According to Belcher (2014), the implications of monetary incentives are far reaching because money appeals to all demographics and can motivate the lowest grade employee all the way to the CEO. This is another distinct advantage of using it to motivate staff because it appeals to all types of staff. The less an employee makes, however, the more he may be motivated by a few extra dollars in his check or incentive pay of some sort.

However, companies like Centenary Rural Development Bank should be wary of using money exclusively to motivate staff, as this method may begin to eventually lose its effectiveness and employees may begin to think that money is valued more than anything else. Belcher (2014) urges that, companies should not be afraid to get creative when it comes to using money to motivate; gift certificates to local restaurants is a great monetary reward, as is an office pot, where all employees put in money in a competitive spirit with one person winning the pot for performing the best.

## **2.2 Employee Performance**

Employee performance essentially means what an employee does or does not do. Employee performance common to most jobs includes the element of output, timeliness of output, presence at work, and cooperativeness (Mathis and Jackson, 2014). According to Jones, George and Hill (2013), organizational performance is a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organizational goals. The scholars further stress that organizational performance increases in direct proportion to

increases in efficiency and effectiveness. It succinctly refers to the effectiveness of any organization in fulfilling its purpose. The theoretical foundation of this study is anchored in Herzberg Two factor model and expectancy theory of work motivation. Although there are many competing theories of motivation, these theories may all be at least partially true and help to explain the behaviour of certain people in specific times.

### **2.3 Salary and Staff Performance**

According to Cole (2010), a salary system can best be considered as a mechanism by which an organization plans how to attract, retain, reward and motivate its salaried employees to provide a fair reward to those performing specified roles, to provide an incentive for employees and to keep pace with inflation. Salary is a fixed amount per year payable to the employee monthly and it ignores both time taken and quality produced.

Richard (2012), argued that most workers look at money as a motivator. The recent thought on the true nature of optimal human resource management has concluded that in a large number of cases, salary has less to do with motivation than do other important factors. Many experts have noted that workers while on the job do not produce more simply because they are being paid more. After all, it is not expected that employees will constantly calculate the monetary value of every action they perform. Workers, for instance, do not keep a record of how much they earn every time they send out an email, approve a document or complete some other task. It's just not human nature. What motivates good employees is the ability to see projects through to their completion.

Bernard (2011), to use salaries as motivator effectively, personnel managers must consider four components of salary structures. These are: job rate which relates to the importance the

organization attaches to each job, payment which encourages all groups by recording them according to their performance, personal or special allowances associated with factors such as scarcity of particular skills or certain categories of information professionals with long service. Fringe benefits such as holidays with pay pensions and so on.

The relationship between the employer and employee must be one of understanding in order for the employee to identify himself with his work and with the business he is working for. Lack of motivation in return affects productivity. A number of symptoms may point to low morale: declining productivity, high employee turnover, increasing number of grievances, higher incidence of absenteeism and tardiness, increasing number of defective products, higher number of accidents or a higher level of waste materials and scrap (William Day 2010). A motivated employee is a loyal employee and to be loyal implies that the employee supports the actions and objectives of the firm. The appearance of the job as a whole has, in fact a bearing on the willingness and quality of an employee's performance, (Martin Bruce; 2012).

Pay-for-performance plans are designed to link specific performance goals with employee compensation. Since most individuals work to obtain the amount of money required meeting their needs and wants, these types of plans can be highly motivating since they positively relate the amount of pay with the amount of work effort. Pay-for-performance programs compensate employees based on some pre-determined performance measurement (objective). Examples include piece-rate pay plans, wage incentive plans, profit sharing, and bonus plans.

No one works for free, nor should they. Employees want to earn reasonable salary and payment, and employees desire their workers to feel that is what they are getting (Houran,

2010). Money is the fundamental inducement; no other incentive or motivational technique comes even close to it with respect to its influential value (Sara et al; 2014). It has the supremacy to magnetize, maintain and motivate individuals towards higher performance. Frederick Taylor and his scientific management associate described money as the most fundamental factor in motivating the industrial workers to attain greater productivity (Adeyinka et al; 2011).

Performance measurements may include individual or team goals, departmental objectives, or overall organizational profit. The basis for such programs is that by making a portion of an employee's compensation contingent on some specific performance objective, he or she will be more focused and devote more effort toward attaining that objective (Robbins & Coulter, 2013). Some organizations have management incentive programs under which managers and executive managers. And compensation is granted according to the organization's results of operations for the year. These programs work well for management; however, as only a targeted group of employees are allowed to participate, the overall success is debatable.

#### **2.4 Allowances and Employee Performance**

Staff allowances are any perks offered to employees in addition to salary (Rynes et al., 2014, p. 582). The most common benefits are medical, housing, transport and tuition reimbursement. Benefits can be quite valuable. Medical insurance alone can cost several hundred dollars a month. That's why it's important to consider benefits as part of your total compensation. Make sure you understand which ones you will receive.

Although expensive, there are many fundamental benefits to providing your employees with a comprehensive benefit plan. For most, it is the ability to find and keep highly qualified staff

that is the key driver. With the sector being highly competitive and the number of new employees entering the workforce dwindling, employers are challenged to become even more creative and responsive in the design, timing and generosity of their benefit plans. The more progressive the organization, the more flexible the structure is in response to today's challenges: i.e. like having four different generations of employees working side by side. Employers who continue to provide the more traditional and limited program, may find it more difficult to find and keep different types of employees (Puoliakas & Theodossiou 2011, p. 673—675).

For employers like Centenary Rural Development Bank, providing increased access and flexibility in employee allowance, the bank does not only recruit but retain qualified employees. It is also seen as managing high-risk coverage at low costs and easing the company's financial burden. Likewise, employee benefits have been proven to improve productivity because employees are more effective with they are assured of security for themselves and their families (Green & Heywood 2012, p. 716—717).

Health and dental benefits are considered the foundation of any benefit program design. When considering the root issues of all absenteeism from the workplace, most employers agree that health or dental related illness is cited most as the cause. While many have not thought of dental coverage as being a key attraction point, a number of medical reports have been published recently, that indicate that many of our common virus and illnesses are actually related to poor dental health. An organization's ability to be creative, flexible and generous in providing health and dental coverage can be a key to attracting and retaining top performers as part of the total compensation package (Puoliakas & Theodossiou 2012, p. 673—675).



## **2.5 Bonuses and Employee Performance**

Alexander and Fred (2011) emphasizes that individual employees may receive additional compensation payments in the form of a bonus, which is a one-time payment that does not become part of the employee's base pay. Generally, bonuses are less costly to the employer than other pay increases because they do not become part of employees' base wages, upon which future percentage increases are figured. Growing in popularity, individual bonuses often are used at the executive levels in organizations, but bonus usage also has spread to jobs at all levels in some firms.

Pitfield (2008) explained that bonus provide greater rewards for output above a certain agreed level. They may be based on individual output or on the output of a group. Bonus adds flexibility to a compensation plan i.e. they are paid monthly under the terms of an annual rate of pay. It includes employee's benefit which were once associated with salaried staff, but which are now being applied to all grades of employees.

Bonuses also can be used to reward employees for contributing new ideas, developing skills, or obtaining professional certifications. When the skills or certification requirements are acquired by an employee, a pay increase or a one-time bonus may follow. For example, a financial services firm provides the equivalent of two week's pay to employees who master job-relevant computer skills (Pitfield, 2008).

A bonus can recognize performance by an employee, a team, or the organization as a whole. When performance results are good, bonuses go up. When performance results are not met, bonuses go down. Most employers base part of the employee's bonus on individual performance and part on the company if appropriate (Pitfield, 2008).

Financial incentives like cash bonuses are a common motivational tactic used by employers. James (2006) examined the success of financial incentives. He found out that the use of alternative pay systems, such as providing employees with stock or other profit-sharing options, are successful motivators and increase employee performance. Performance-based pay systems motivate employees in private sector jobs to increase their performance, but these systems fail to produce the desired results in public sector jobs. The most effective way to utilize financial incentives as motivators to increase performance is to combine them with positive feedback and public recognition for accomplishments.

Financial rewards are management tools that hopefully contribute to firm's effectiveness by influencing individual or group behavior. All businesses use pay, promotion, bonuses or other types of rewards to motivate and encourage high level performances of employees, Reena et al (2009). To use salaries as a motivator effectively, managers must consider salary structures which should include importance organization attach to each job, payment according to performance, personal or special allowances, fringe benefits, pensions and so on Adeyinka et al., (2007).

Akintoye (2012) asserts that money remains the most significant motivational strategy. As far back as 1911, Fredrick Taylor and his scientific management associate described money as the most important factor in motivating the individual workers to achieve greater productivity. Money posses significant motivating power in as much as it symbolizes intangible goals like centenary bank power, prestige and a feeling of accomplishments and success.

(Hertzberg, 2008) suggests that pay is hygiene factor rather than a motivator and so in self it is unlikely to motivate. Herrzberg contends that pay has to be adequate to prevent dissatisfaction but other factors induce motivational state such as responsibility and autonomy. There are various forms of non financial rewards the company can use to motivate its workers as incentives for greater output, better quality or other out comes. Cash will always be a major factor in motivating people and a solid compensation plan is critical to attracting and keeping key personnel. But the key is that additional cash is not always the only answer and in many cases not even the best answer. Too many bonus or commission checks get cashed, spent and forgotten just that quickly. Grocery stores and gasoline stations are among the necessary stops that seem to get in the way of using your extra cash on something special for you. One alternative to giving commissions or bonus dollars is to give gifts through a catalog point system.

David Mc Clelland (2009) believed that workers could not be motivated by the mere need for money in fact; extrinsic motivation like through money could extinguish intrinsic motivation such as Achievement motivation could be used as an indicator of success for various motives. Elton Mayo found out that the social contacts worker has at the workplace are very important and that boredom and repetitiveness of tasks lead to reduce motivate. Mayo believed that acknowledging their social needs and making them feel important could motivate workers. As a result, employees were given freedom to make decisions on the job and greater attention was paid to informal work groups (McCoy, Thomas, 2006).

Research has suggested that reward now cause satisfaction of the employee which directly influences performance of the employee (Kalimullah et al; 2010). Rewards are management tools that hopefully contribute to firm's effectiveness by influencing individual or group

behavior. All businesses use pay, promotion, bonuses or other types of rewards to motivate and encourage high level performances of employees (Reena et al; 2009). To use salaries as a motivator effectively, managers must consider salary structures which should include importance organization attach to each job, payment according to performance, personal or special allowances, fringe benefits, pensions and so on (Adeyinka et al; 2007).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter majorly looked at the methodology and among the things included the following; research design, area of the study, instruments of data collection, data processing and management, sources of data, sample size, sampling techniques, quality control methods, data analysis, ethical considerations and finally limitations of the study.

#### **3.2 Research Design**

The study used a descriptive research design. Basically, a descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in anyway. This type of research design provides a unique means of data collection and more realistic responses than a purely statistical survey. The research design exploited both qualitative and quantitative approaches, which included use of interviews and descriptive statistics that was generated inform of frequency tables, graphs and charts respectively. These approaches were adopted to enable the researcher to get and analyze relevant information concerning people's opinions about the relationship between monetary rewards and employee performance in centenary bank [Mapeera Branch].

#### **3.3 Area of the study**

This study was carried out at centenary bank [Mapeera Branch] located in Kampala Jinja high way, it is one of the Uganda's top three financial organization and a commercial bank licensed by the bank of Uganda. The organization was chosen as a case study because it's accessible and the topic of the study is in line with its operations.

### 3.4 Study Population

The study population is a complete set of individuals or items that share one or more characteristics from which data can be gathered and analyzed [www.investorwords.com].

The study population included all workers of Centenary Rural Development Bank irrespective of their ranks, however a sample was selected. The study involves a total sample size of 50 respondents from the workers of Centenary Bank [Mapeera branch].

**Table 3.1: Respondents who participated in the study**

<b>Category</b>	<b>Number of respondents</b>
Centenary bank top managers	2
Middle managers	4
Customer care	5
Tellers section	8
Sales department	6
Subordinates	14
Loan officers	06
IT staff	05
<b>Total</b>	<b>50</b>

This sample of 50 will be chosen considering time and resources available for the research.

### 3.5 Sampling Technique

The study adopted the stratified random technique; which involved the selection of respondents from the study population at random. In this way each respondent had an equal chance of being included in the sample.

### 3.6 Data Collection Instruments

This study used self administered questionnaires and key informant interviews to collect data.

#### **Questionnaires**

The researcher used formalized questions which were sent to respondents. Two sets of questionnaires were made available to employees and management staff. To ease

administration, most questions were close ended and few open ended to allow respondents freely express their opinions. The close ended questions were used in determination of multiple responses measured against like scale that was used to collect quantitative data. The study used this instrument to cover a large number of respondents in a relatively short time, it was easy to guarantee the respondents confidentiality and generate reliable data as respondents answered questions in their own mood without being affected by the researcher's presence.

### **3.7 Data Sources**

During the process of data collection, both primary and secondary data were the main sources of data to be used in the study.

#### **3.7.1 Secondary Source**

Under secondary source, data was obtained from various textbooks, journals, newspapers, magazines, existing research, company documents and internet.

#### **3.7.2 Primary source**

This refers to the data collected from the field with the aid of self administered questionnaires and interview guide.

### **3.8 Research procedure**

For ethical considerations an introductory letter was obtained from the University Authorities, which was presented to all respondents before data collection. Then the study was conducted with the consent of the respondents after assuring them that the information given would be treated professionally. This enabled them to voluntarily participate in the study.

### **3.9 Data Analysis**

The edited data was coded. Coding involved assigning numbers to similar questions from which answers were given unique looks to make the work easier. In this case SPSS (Statistical Package for Social Scientists) was used to analyze the relationship between bonus payments and performance of employees.

Qualitative data was analyzed as it was collected in the field (verbatim reporting) while quantitative data was analyzed by using computer programs like Microsoft excel SPSS. Also under qualitative analysis, thematic analysis was used and in quantitative data analysis; graphs, tables and pie charts were used for data analysis and presentations of findings.

### **3.10 Validity and Reliability.**

Validity refers to the quality of being true or correct. Validity is also defined as the degree to which data collected using a particular instrument represents a specific domain or content of particular concept. Reliability refers to the consistency of measurement and is frequently assessed using test and re-tests reliability method. To establish the validity of this research, the researcher used the opinions of experts in the field of study especially the researcher's supervisor and Lecturers who helped in modification of research Instrument in order to enhance validity. Also, the respondents were briefed one on one before giving them questionnaires by the researcher on the need and importance of the study. Guidance on how to answer the questionnaire was provided by the researcher. This ensured high completion rate and accuracy of the information provided.



### **3.10 Quality control methods**

Quality control was done by ensuring the right respondents were the only ones providing data. Also quality was ensured where by the analysis tools were accurate and the correct conclusions were made through testing validity and reliability.

### **3.11 Ethical consideration.**

At a high level, clearance and approval was obtained from Uganda martyrs university faculty of business administration and management. The researcher also asked and received authorization from the general manager of centenary bank [Mapeera branch]

At individual level verbal consent was received from each participant before data collection. Respondents received a detailed description of research, confidentiality provisions and the fact that their participation was voluntarily and they would withdraw at any point if they deemed so. And finally the principle of privacy and confidentiality was upheld.

### **3.12 Limitations of the study**

Some respondents did not fill the questionnaires in time and some were not willing to take part in the study. This problem was tackled by motivating them by convincing them how their involvement in the research was of great importance

Financial constraints, one of the major problems that the researcher encountered was inadequate financial support which consequently slowed down the process of data collection and production of the final report of the study in time. The problem of resources was solved by using the money while minding and for effective purposes in order to enable successful completion of the data collection and analyzing process.

The time was also limited to fully assess and analyze all the information that is relevant for the study. This problem was solved by utilizing any free time available so that the limited time was used profitably.

## CHAPTER FOUR

### 4.0 DATA ANALYSIS, FINDINGS AND INTERPRETATION

#### 4.1 Introduction

This chapter covers data analysis, findings of the research and discussion of the major findings. It documents the effects of monetary rewards on the performance of workers in commercial banks in Uganda. The data was collected from Centenary Rural Development Bank head branch along Kampala road. The chapter gives responses from senior management, internal control units, accountants and auditors of the target population and start by analyzing the general information about them.

#### 4.2 Background Information of Respondents

Background information was collected on personal details of respondents which included their gender, age bracket, highest academic qualification and department of work. The results are presented in the following subsections.

##### 4.2.1 Gender

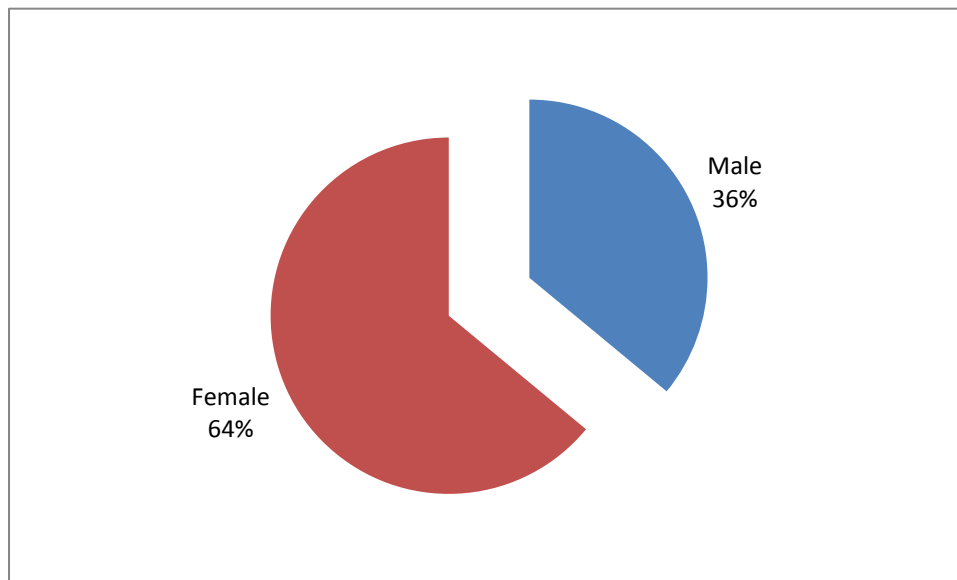
**Table 4.1: Gender distribution of respondents**

Gender	Frequency	Percentage
<b>Male</b>	18	36
<b>Female</b>	32	64
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Primary Data, 2016

Out of the 50 respondents, 64% were female while 36% were male. The results indicate that Centenary Rural Development Bank is an equal opportunity employer though more females were found in the departments covered.

**Figure 4.1: Respondents by Gender**



Source: Primary Data, 2016

Figure 4.1 above indicates that the study registered more females (64%) as compared to male (36%).

#### **4.2.2 Age group of respondents**

Only respondents with a minimum of 20 years of age were targeted and thus it was important to collect data on respondents' age characteristics. The findings are presented in table 4.2 below;

**Table 4.2: Age bracket of respondents**

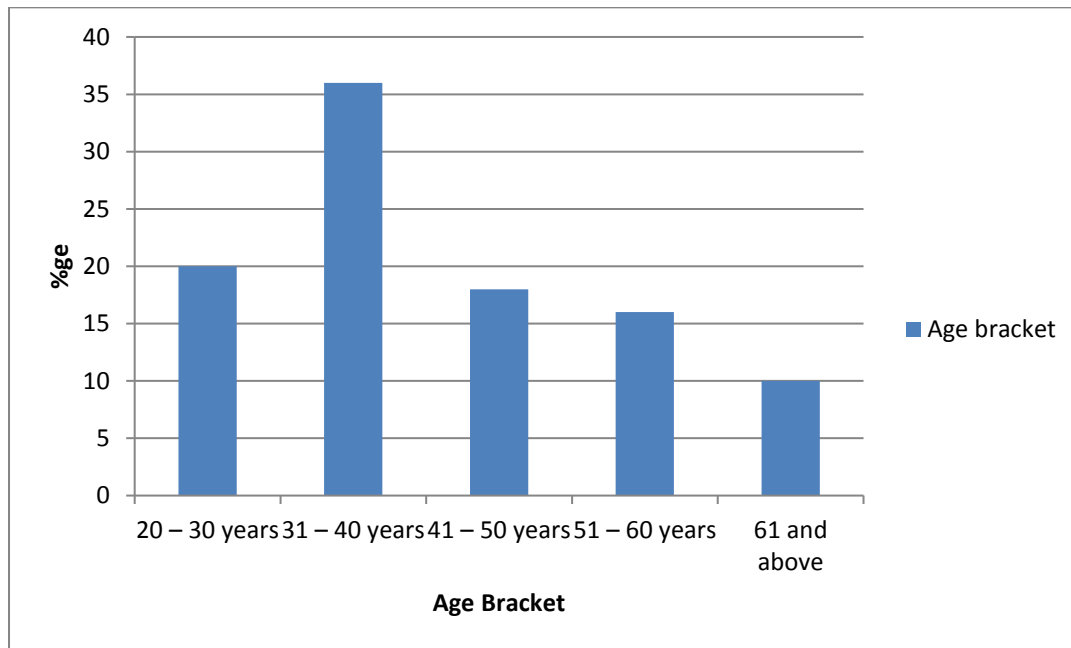
<b>Age bracket</b>	<b>Frequency</b>	<b>Percentage</b>
20 – 30 years	10	20
31 – 40 years	18	36
41 – 50 years	09	18
51 – 60 years	08	16
61 and above	05	10
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Primary Data, 2016

In table 4.2, results indicate that 36% of the respondents were in the age bracket of 31-40

years, 20% in the age bracket of 20-30 years, 18% in the age bracket of 41-50 years, 16% in the age bracket of 51-60 years while 10% were in the age bracket of 61 and above years.

**Figure 4.2: Respondents by Age Distribution**



Source: Primary Data, 2016

In figure 4.2 results, most of the respondents (36%) were in the age group of 31-40 years followed by 20% in the age group of 20-30, 18% in the age group of 41-50 years, 16% in the age group of 51-60 years while those in with 61 and above years comprised 10%. This implies that all respondents were adults enough to understand monetary incentives at CERUDEB.

#### **4.2.3 Level of Education of respondents**

Respondents' level of education is key in determining the level of monetary rewards they receive as well as their knowledge on the subject in the bank. Therefore, data was collected on the respondents' level of education.

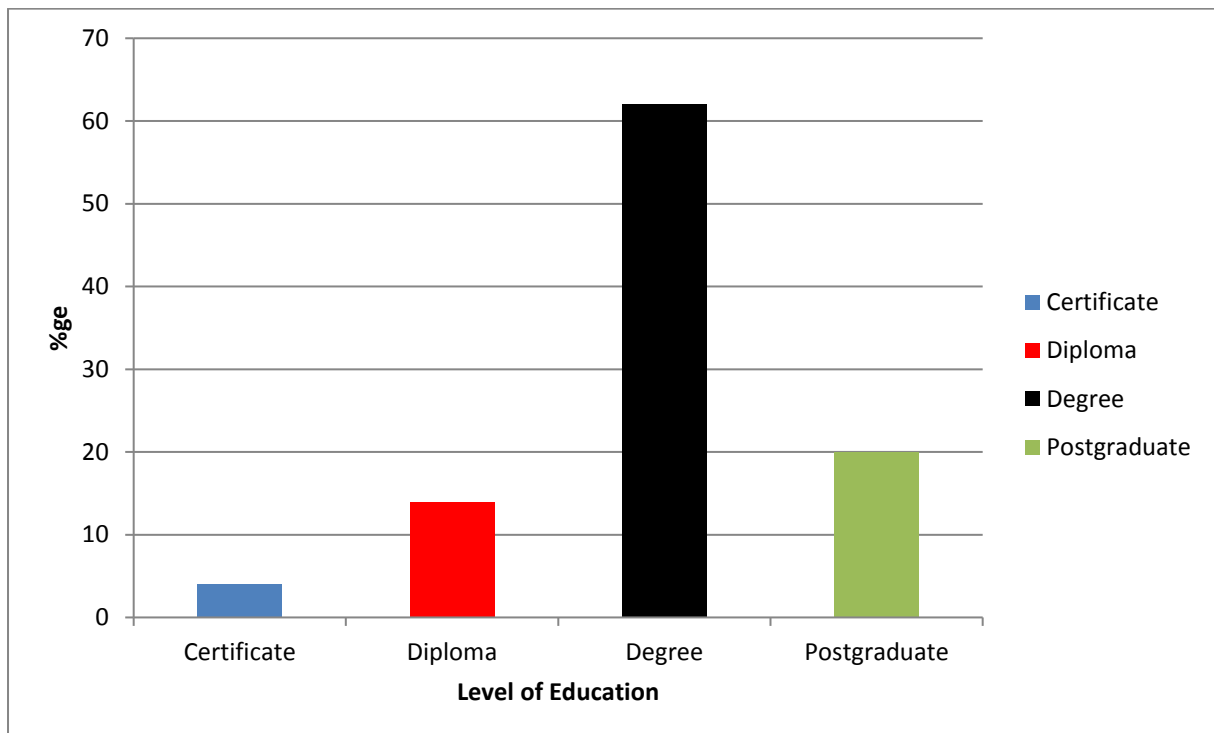
**Table 4.3: Level of Education of respondents**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage</b>
Certificate	02	4
Diploma	07	14
Degree	31	62
Postgraduate	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Primary Data, 2016

According to the results in table 4.3, the majority of respondents were Bachelors degree holders followed by 20% with postgraduate level education, Diploma (14%), and certificate level education (4%). Therefore, all respondents were literate and able to interpret the research instruments.

**Figure 4.3: Graph showing Respondents by Education**



Source: Primary Data, 2016

The results in Figure 4.3 above reveal that all respondents were literate with Bachelors degree (60%), Postgraduate degrees (20%), Diploma (14%), and certificates (4%).

#### 4.2.4 Department of Work

Respondents were drawn from different departments therefore data was collected on respondents' department of work. The findings are presented in table 4.4 below;

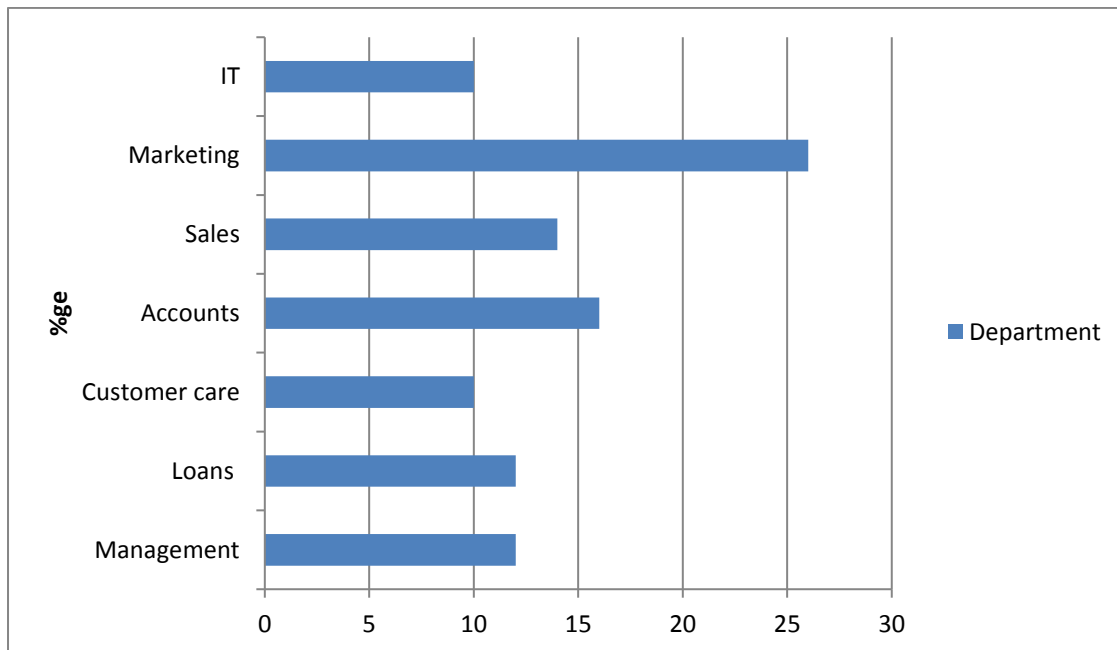
**Table 4.4: Department**

Department	Frequency	Percentage
Management	6	12
Loans department	6	12
Customer care	5	10
Accounts and finance	8	16
Sales	07	14
Marketing	13	26
IT	05	10
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Primary Data, 2016

Data was collected from respondents in different departments of CERUDEB and they included; marketing (26%), sales (14) management (12%), loans department (12%), and customer care (10%). Therefore, all departments of the bank were fairly represented.

**Figure 4.4: Graph showing Respondents by Department**



Source: Primary Data, 2016

Figure 4.4 results reveal that data was collected from respondents in different departments of CERUDEB and they included; marketing (26%), sales (14) management (12%), loans department (12%), and customer care (10%). Therefore, all departments of the bank were fairly represented.

### 4.3 Monetary Incentives at CERUDEB

The first objective of this study sought to establish the monetary incentives given to employees of Centenary Rural Development Bank. Respondents were asked about the different monetary incentives which included salary, allowances and bonuses at the bank and the results are presented in tables 4.5, 4.6 and 4.7 below;

**Table 4.5: Salary**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Not sure</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>SALARY</b>					
Salaries are paid on time	4%	10%	0	60%	26%
Employees are motivated by salary increase	18%	22%	10%	40%	10%
I am satisfied with my current salary figure	28%	22%	16%	24%	10%
Individual wage or salary rate keeps changing	20%	40%	18%	12%	10%
The salary takes into consideration the general cost of living	24%	28%	14%	20%	14%

Source: Primary Data, 2016

#### **Timely salary payment**

According to the findings in table 4.5, 60% of the respondents agreed and 26% strongly agreed that salaries are paid on time. When employees are paid on time, they are likely to perform better than those who experience salary delays. The findings concur with Bender (2013) who stated that one of the most important aspects of payroll is its impact on the morale of employees. If payroll is late, employees will start to question the financial integrity



of the company. This will cause employees to start underperforming and to care less about their job if they feel it is not secure. Payroll should always be paid in a timely manner to keep employee morale high.

### **Salary increase**

Table 4.5 results further reveals that 40% and 10% of the respondents agreed and strongly agreed respectively to the claim that Centenary bank motivates employees through salary increase. Respondents noted that salary pay rise keeps them in good humor. This is in line with Dholakiya (2014) who argued that salary improvement can result in employees approaching their work with renewed vigor, but only for a short spell. After that, it is back to square one.

### **Satisfaction with salary**

The findings in table 4.5 showed that majority of the respondents (50%) denied the claim that they were satisfied with the current salary level. Only 34% showed satisfaction with the current salary level. This implies that though salaries were seen to be paid on time, majority of the employees are not motivated by salary level and this may affect their work performance.

### **Salary rate**

Respondents (60%) further denied the claim that individual wage or salary rate keeps changing at Centenary bank. Only in a few instances does salary rates change say for example, sales persons whose remuneration adjusts according to the number of sale leads created. Other instances that cause salary rate changes were reported as promotions, performance pay, and employees who have advanced their career training.

### Salary rate and inflation

The findings in table 4.5 further indicate that majority of respondents disagreed (52%) to the claim that salary takes into consideration the general cost of living. Respondents raised concern that despite the current high inflation in the country, their salaries do not automatically adjust. The rise in the country’s inflation levels implies the general public is facing the problem of high food prices and high energy charges amid stagnated income. This therefore, implies that employers should take into consideration the country’s standard of living to set salaries.

In summary, the study found that salary compensation for all Centenary Bank staff is market-driven, with reference to the appropriate global or local market from which a specific position is recruited. Salaries are determined according to the level of responsibility of the jobs and are reviewed annually to ensure that the bank’s compensation remains competitive.

**Table 4.6: Allowances**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Not sure</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>ALLOWANCES</b>					
I receive transport allowances	0%	5%	0%	85%	10%
I receive housing allowances	25%	36%	0%	29%	10%
I receive health allowances	20%	30%	0%	25%	25%
I am given leave allowances	0%	0%	0%	44%	56%
Allowances are allocated depending on performance of the employee	18%	20%	12%	33%	17%

Source: Primary Data, 2016

### Transport allowances

Table 4.6 results indicate that majority of respondents receive transport allowances as 85% and 10% of the respondents agreed and strongly agreed to the statement respectively.

Respondents said that sometimes the bank pay cash allowances to an employee for travel between home and work. There are also special circumstances for travel allowance where the employee: is working outside the normal hours of work for example, in overtime, shift or weekend work, needs to carry work-related tools and equipment for example, usually they take the taxi to work but in this instance must use some other type of transport to shift work-related gear, is travelling to fulfill an obligation for the employer, has a temporary change in workplace, has some other condition of their job, or no adequate public transport system serves the workplace.

### **Housing Allowance**

In regard to housing allowances, majority of the respondents (61%) showed that they are not entitled to such allowance, only 39% of the respondents agreed that they receive housing allowance. The study found that only bank staffs in senior positions such as managers were entitled to housing allowances.

### **Medical allowances**

For health benefits, the findings in table 4.6 indicate that 50% of the respondents did not receive medical allowances while 50% agreed that they receive such allowances. Medical allowances were also found to be associated with middle and top management sections of the bank. For those on medical insurance, the Bank offers a comprehensive benefits package that includes medical insurance cover for staff and dependents, life and disability insurance. Harper (2012) commented that one of the best things about scoring permanent employment is reaping the prized benefits that come along with it health insurance being chief among these perks. And in a time of economic uncertainty, health coverage becomes ever more crucial. As work and family life absorb the bulk of an employee's attention and finances, having medical

costs defrayed by a generous benefit package can be both a comfort and an asset. A healthy employee is more present and productive. And the more physically sound workers are, the less likely they will be to miss work days.

### **Leave allowances**

The findings further indicate that all (100%) employees agreed that they are given leave allowance. This is probably due to the fact that the Employment Act (2006) Article 54 entitles all employees an annual leave, with full pay at the rate of seven days in respect of each period of a continuous four months' service, to be taken at such a time during such calendar year as may be agreed between the parties.

Annual leave allows employees to take paid time off from work for the purpose of having regular breaks so that they can rest and re-energise. Employees who take regular holidays can be more motivated about their work and perform more effectively than those who do not. They are less prone to accidents and are less likely to suffer from stress because they have regular opportunity to rest, which means they might take less sickness absence.

### **Allowances on performance**

Lastly, 50% of the respondents agreed that, allowances at Centenary Bank are allocated depending on performance of the employee while 38% of the respondents disagreed to the statement. This suggested that Centenary Bank has a performance driven culture. A performance driven culture is an organizational culture wherein the entire organization is driven by a motivation to perform and achieve organizational success. Every organization has its own unique culture. This could have been painstakingly woven by the management after evaluating what is best suited for their organization, or could have just been ingrained over a

period of time due to certain set of incidences. However, the cause of its presence, the culture of an organization largely impacts on how an organization achieves or realizes its end business objectives.

**Table 4.7: Bonuses**

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Not sure</b>	<b>Agree</b>	<b>Strongly agree</b>
<b>BONUSES</b>					
I am rewarded for achieving specific goals set by the company.	08%	12%	0%	45%	35%
Bonuses are used as an incentive to obtain employees.	18%	21%	11%	30%	20%
Bonuses are given to motivate employees	5%	8%	14%	40%	33%
Employees who bring new clients to the bank are rewarded with bonus in form of commission	17%	10%	09%	37%	27%
Bonuses are not allotted to every employ in the bank	10%	15%	0%	38%	37%

Source: Primary Data, 2016

### **Bonuses on meeting goals**

Table 4.7 findings indicate that 45% and 35% of the respondents agreed and strongly agreed respectively that they are rewarded with bonus for achieving specific goals set by the bank. The study found that receiving bonuses is used as an incentive to get someone to work not necessarily harder, but hopefully smarter. It also rewards the best while weeding out those that may not be the best suited for the job. Respondents said that working for bonuses is not for everyone. And there are some jobs in the bank such as sales and marketing officers that use allowances and bonuses as remuneration. This concurs well with Emge (2015) who says that some jobs that require targets to be hit, or a specific number of sales per day, week or month, may use commissions and bonuses as a way to get employees motivated to reach those targets. The downside of this can be mis-selling of a product or service. And it does not

have to be deliberate mis-selling or leading a client or customer to buy based on false or misleading information. It can be as an act of omission, by not disclosing something about a service or product. If employers set unrealistic targets or goals, this can cause employees to feel pressured into misleading clients.

### **Incentive bonuses to attract employees**

In addition, 50% of the respondents agreed that bonuses are used as an incentive to obtain employees in Centenary Bank. Management of Centenary Bank like many business owners find losing good employees troublesome regardless of the size of the existing labor pool or state of the economy. Despite this, departing employees possessing specialized skills affect the company even more. Although not as common as sign-on or hiring bonuses the bank finds that offering retention bonuses is a successful tactic for retaining critical personnel.

### **Bonuses for staff motivation**

Respondents (73%) agreed that bonuses are given to motivate employees at the bank. Employee's motivation is one of the important aspects in today's dynamic world because, if your employee will not motivated the overall performance of your company can be affected, in result company's mission and objective will be overlap. Joint contribution of employees will surely take the company to the new horizons. Complex and challenging job are not a big matter if your employees are truly motivated.

However, some respondents raised concern that while employee bonuses can encourage productivity, they can also bring certain disadvantages to a company and its workers. One potential drawback of offering the bonuses is that they can create unrealistic expectations among employees. For example, if management gives substantial bonuses one year because

profits were high, but has poor profits the next year, employees might expect bonuses again even if the company doesn't have the money to pay bonuses. Employees who receive bonuses one year and nothing the next year may feel disappointed, which can hurt morale.

#### 4.4 The relationship between allowances and employee performance

Objective two of the study intended to find out the relationship between allowances and employee performance at Centenary Rural Development Bank. Spearman's Rank Order Correlation was used to test the hypothesis and the results are presented in table 4.8 below.

**Table 4.8: Relationship between allowances and employee performance**

			Allowance	Employee performance
Spearman's rho	Allowances	Correlation coefficient	1.000	.568**
		Sig. (2-tailed)		.007
		N	50	50
	Employee performance	Correlation coefficient	.568**	1.000
		Sig. (2-tailed)	.007	
		N	50	50

\*\*Correlation is significant at the 0.05 level

The findings in table 4.8 indicate that there is a significant relationship between allowances and employee performance in Centenary Rural Development Bank. With a correlation coefficient of .568\*\* and p value of .007, it is concluded that there is a significant relationship between allowances and employee performance in Centenary Rural Development Bank.

#### 4.5 The effect of bonuses on employee performance in commercial banks.

Respondents were asked on the effect of bonuses on employee performance and this was broken down into three that is; task performance, customer service and efficiency. The findings are presented in tables; 4.9, 4.10 & 4.11 below;

**Table 4.9: Bonuses and task performance**

<b>TASK PERFORMANCE</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Not sure</b>	<b>Agree</b>	<b>Strongly agree</b>
1) Assignments are completed on time	0%	5%	0%	85%	10%
2) Able to meet work deadlines	25%	36%	0%	29%	10%
3) I am able to identify problems at work	20%	30%	0%	25%	25%
4) Consults with supervisors and co-workers	0%	0%	0%	44%	56%
5) Work assignments for the day are not postponed	18%	20%	12%	33%	17%

Source: Primary Data, 2016

### **Assignments completion**

According to the results in table 4.9, majority of the respondents (95%) indicated that assignments are completed on time and this is largely due to the bonus incentives given to employees.

### **Work deadlines**

Here the results of the study indicate that there is a problem of employees meeting work deadlines as 61% of the respondents disagreed to the claim that employees are able to meet work deadlines. Only 39% showed that work deadlines are met by employees. This is an indication that sometimes cash bonuses are not enough motivators for bank staff to beat deadlines.

### **Identifying problems at work**

The study results in table 4.9 further indicate that giving cash bonuses to bank staff enables them to be keen and love their job to the extent that they are able to identify problems at work. This was supported by 50% of the respondents.



### **Cooperation with managers and co-workers**

According to the study results, 90% of the respondents indicated that they have good working relationship with their managers and fellow co-workers at the bank. This was attributed to the fact that they are well motivated through cash bonuses.

### **Work assignments for the day are not postponed 50%**

Furthermore, the study found that bank staff members are hard working. In fact, 50% of the respondents indicated that they do not postpone assignments with no justifiable reasons.

**Table 4.10: Bonuses and Customer Service**

<b>CUSTOMER SERVICE</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Not sure</b>	<b>Agree</b>	<b>Strongly agree</b>
1) Demonstrates appropriate interactions with customers	08%	12%	0%	43%	37%
2) Able to deal appropriately with confidential information of clients	10%	21%	11%	38%	20%
3) I treat customers courteously and professionally	5%	8%	14%	42%	31%
4) I highly value customers	14%	10%	09%	37%	30%
5) Customers complaints are well handled and solved	10%	11%	0%	42%	37%

Source: Primary Data, 2016

### **Demonstrates appropriate interactions with customers**

The results in table 4.10 indicate that majority of the respondents (80%) said they demonstrate appropriate interactions with customers. Such interactions with bank customers are a good sign of a committed work force and translate into performance. The results concur with Gordon (2014) who argued that as banking becomes more digitized, customers still crave a human connection. He noted that there's a nice tension and balance in the thrust of efficiency and a more consistent customer experience.

But as new channels, such as mobile and sophisticated collaboration technologies, drive customer expectations higher, just making the experience simpler and more consistent won't be enough to provide competitive advantage. Until self-serve kiosks become more widely adopted at bank branches, most of the human interaction between banks and their customers will continue to be at the branch. That means the branch will continue to be a key battleground for customer experience. And banks have a lot of room to improve there. Gordon (2010) noted that many of the basic things that banks could improve in the branch customer experience such as recognizing customers when they walk in and thanking them come down to interaction style and customer engagement.

#### **Able to deal appropriately with confidential information of clients**

Respondents (58%) agreed that they deal with clients confidential information appropriately. Client confidentiality is an implied term of the contract between customers and their banks that these firms will keep their customers' information confidential. This confidentiality is not just confined to account transactions, it extends to all the information that the bank has about the customer. But from time to time, mistakes happen and for whatever reason banks end up releasing information that they should have kept secret. Sometimes, the resulting breach of confidentiality is little more than technical in other words, nothing really flows from it, but occasionally it can have major consequences. Therefore, if bank staff members are able to deal appropriately with client's confidential information, bank performance is enhanced through increased customer loyalty.

#### **Treating customers courteously and professionally**

The results in table 4.10 further indicate that 73% of the respondents said they treated customers courteously and professionally which is one of the tenets of good customer service.

I highly value customers 67%. The study found that when bank staff are well motivated especially through cash bonuses, they exhibit good attitude towards clients than those who are not motivated. This implies that bank performance is boosted because happy customers will transact more from the bank and tell more people about Centenary Rural Development Bank services.

### **Customer complaints handling**

The results further indicate that 79% of the respondents agreed that customer complaints at CERUDEB are well handled and settled. This is majorly because staff are satisfied with their job and thus give in their all to serve the bank. Gerard (2010) also noted that, within the banking industry, complaints management has become an integral part of business, both from a regulatory perspective and a customer service standpoint. Complaints management records and resolves a customer complaint. It means listening to dissatisfied customers and taking actions to remedy issues, where appropriate. By listening to customers, companies can develop service standards and delivery processes to meet these standards.

**Table 4.11: Bonuses and Work Efficiency**

<b>EFFICIENCY</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Not sure</b>	<b>Agree</b>	<b>Strongly agree</b>
1) Able to sets appropriate priorities for tasks.	08%	12%	0%	41%	39%
2) Manages time effectively	10%	21%	11%	30%	28%
3) Few or no complaints are raised	9%	8%	10%	40%	33%
4) Able to handle many clients	10%	10%	09%	44%	27%
5) There are no shortages made	10%	15%	0%	38%	37%

**Source: Primary Data, 2016**

### **Setting priorities**

According to the results in table 4.11, 80% of the respondents said that they are able to set appropriate priorities for tasks. Being able to set priorities was linked to theThis is in line with Dawn (2013) who argued that in order to do your job effectively and to the best of your

ability it helps to prioritize your tasks. Planning your day ensures you meet company goals and deadlines, and it helps keep you in line with what is expected from you by management. When you prioritize tasks you perform at higher levels, which will make you more responsible, efficient and reliable. It also helps you to limit interruptions and helps prevent you from wasting time.

### **Time management**

The results indicate that 58% of the respondents agreed that they manage their time effectively at work due to the fact that they are well motivated. The main benefit of effective time management is that it can drastically improve the quality of employees' life. Many of the frustrating situations can be avoided with effective planning and organizing techniques. When you have overcome frustration, it is a lot easier to release the full power of your creativity and productivity. Similarly, Yolande (2014) found that, the highest achievers manage their time exceptionally well. Good time management requires an important shift in focus from activities to results: being busy is not the same as being effective. Failing to manage time effectively can have some very undesirable consequences that will hurt the bank performance such as: missed deadlines, inefficient work flow, poor work quality, a poor professional reputation and a stalled career, and higher stress levels.

### **Complaints**

The results showed that 73% of the respondents agreed that there are few or no complaints about their work. This implies that employees are satisfied with their jobs and thus perform better.

### **Able to handle many clients**

Given the nature of the banking operations, 71% of the respondents indicated that they are able to handle many clients. This improves customer service and translates into better bank performance. As companies strive to maximize productivity with limited resources, it has become increasingly important for professionals to handle several responsibilities simultaneously. Each employee is responsible for meeting deadlines, planning a schedule and multitasking various assignments, tasks and events currently on the employee's plate of responsibilities. Employers seek workers who can handle the workload without needing too much guidance or hand-holding during the workday. This skill includes solving problems, being flexible with project changes and taking feedback from other workers.

### **There are no shortages made**

Making shortages through issuing of surplus money to clients or fraudulent practices made by clients is a common thing in commercial banks. However, the results of the study indicate that 75% of the respondents agreed that there are hardly any shortages made by tellers.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

In this chapter the researcher gives a summary of main findings of the study, conclusions and recommendations in line with the research questions and objectives.

#### 5.2 Summary of main findings of the study.

##### 5.2.1 Objectives One: The effect of salary on staff performance in commercial banks

The study established that the organization has an employee cash based incentive scheme salary is one of the major cash incentive scheme. Majority of the respondents (86%) agreed that salaries are paid on time and when employees are paid on time, they are likely to perform better than those who experience salary delays.

In summary, the study found that salary compensation for all Centenary Bank staff is market-driven, with reference to the appropriate global or local market from which a specific position is recruited. Salaries are determined according to the level of responsibility of the jobs and are reviewed annually to ensure that the bank's compensation remains competitive.

##### 5.2.2 Objective two: The relationship between allowances and employee performance in commercial banks.

It emerged that allowances are part of the cash incentive scheme at Centenary Rural Development Bank. The allowances given to employees included transport, leave, and health allowances. Majority of the respondents (95%) received transport allowances. Respondents said that sometimes the bank pay cash allowances to an employee for travel between home and work. There are also special circumstances for travel allowance where the employee: is

working outside the normal hours of work for example, in overtime, shift or weekend work, needs to carry work-related tools and equipment for example, usually they take the taxi to work but in this instance must use some other type of transport to shift work-related gear, is travelling to fulfill an obligation for the employer, has a temporary change in workplace, has some other condition of their job, or no adequate public transport system serves the workplace.

On the relationship, the results of the study indicated that there is a significant relationship between allowances and employee performance in Centenary Rural Development Bank. With a correlation coefficient of .568\*\* and p value of .007, it is concluded that there is a significant relationship between allowances and employee performance in Centenary Rural Development Bank.

### **5.2.3 Objectives three: To examine the effect of bonuses on employee performance in commercial banks.**

The study results indicated that bonus payments affect employee performance in terms of task performance, customer service and work efficiency. On task performance, 95% of the respondents reported that they complete assignments on time while 90% of the respondents indicated that they have good working relationship with their managers and fellow co-workers at the bank. This was attributed to the fact that they are well motivated through cash bonuses.

On customer service, 80% of the respondents agreed that they demonstrate appropriate interactions with customers. Such interactions with bank customers are a good sign of a committed work force and translate into performance. It was also revealed by 79% of the that

customer complaints at CERUDEB are well handled and settled. This is majorly because staff are satisfied with their job and thus give in their all to serve the bank. It means listening to dissatisfied customers and taking actions to remedy issues, where appropriate. By listening to customers, companies can develop service standards and delivery processes to meet these standards.

In regard to bonuses and work efficiency, 80% of the respondents said that they are able to set appropriate priorities for tasks. Being able to set priorities enables staff to effectively perform their jobs and hence improve bank performance. In addition, 75% of the respondents reported that they are donot make shortages.

## **5.2 Conclusion**

The study reveals that Centenary Rural Development Bank has an effective monetary incentives scheme. This mainly includes good salaries, allowances, and cash bonuses give to employees. The study found that salary compensation for all Centenary Bank staff is market-driven, with reference to the appropriate global or local market from which a specific position is recruited. Salaries are determined according to the level of responsibility of the jobs and are reviewed annually to ensure that the bank's compensation remains competitive.

The results of the study indicated that there is a significant relationship between allowances and employee performance in Centenary Rural Development Bank. With a correlation coefficient of .568\*\* and p value of .007, it is concluded that there is a significant relationship between allowances and employee performance in Centenary Rural Development Bank.



The study results indicated that bonus payments affect employee performance in terms of task performance, customer service and work efficiency. It was found that, tasks are completed on time, existence of good working relationship between employees and managers, appropriate interactions between staff and customers, customer complaints at CERUDEB are well handled and settled, ability set appropriate priorities for tasks, and minimal shortages. Therefore, well-designed staff incentive schemes can have positive and powerful effects on the productivity, efficiency and quality of bank operations.

### **5.3 Recommendations**

Managers of CERUDEB should also be interested in non-monetary staff incentive schemes. After all, managers bear the greatest responsibility for achieving the owners' objectives and targets. All else being equal, a committed and productive staff will help the organization to achieve both satisfactory outreach and financial performance. If incentive schemes can improve staff commitment and staff productivity, they surely deserve the attention of top managers.

Staff incentive schemes are to improve employees' efforts in their jobs. One major "lever" for increasing individual efforts is money. Monetary staff incentive schemes have a direct impact on employees' income, regardless of the payout's frequency that is, whether the incentive "package" is paid out monthly or quarterly or at other intervals. Therefore, the staff members targeted by an incentive scheme will feel a direct impact on their own incomes, and ultimately, on their livelihoods. It is only logical that a financial institution's employees will take a keen interest in any staff incentive schemes that might be designed or planned for them. After all, they are the ones who are most directly affected by such schemes.

The staff incentives team should have a thorough knowledge of operational interdependencies between different functional groups of staff. Staff with extensive experience in operations will be able to predict expected increments in staff productivity as well as potential side effects of a planned incentive scheme. Operations staff should also identify the need for different incentive schemes for different local operational circumstances for example, urban branches and rural branches or staff managing different products (e.g. loan officers managing micro loans and officers managing SM

Staff incentives need to be incorporated in a wider human resource policy. Before planning an incentive scheme, it is important to assess the potential effects and side-effects of various types of staff incentive schemes on the motivation of the employees. It is crucial to review the remuneration and incentives structure both, of the own institution and competitors, including: existing performance based and non-performance based incentives, the basic salaries, allowances and benefits for example, health insurance, pension fund. In addition, designers must be clear about legal aspects of monetary incentives for example, taxes, possible reactions of the labour union. If monetary staff incentives are designed from scratch, human resource staff could explore the possibility of freezing the base salaries for a couple of years to finance a powerful bonus system.

Senior managers should decide which type of staff incentive scheme should be employed. Although the staff incentives team may suggest respective schemes, designing or redesigning monetary staff incentive schemes can involve huge changes to the organization culture. Senior managers should monitor the design process and finally need to approve the scheme.

Equity Principle: This principle states that employees would like their compensation to reflect their contributions to the organization. Those who contribute more to the success of the organization would and should expect a higher compensation than those who contribute less. If outstanding performance of individuals was not acknowledged, high performing staffs are likely to become unmotivated. Of course, this raises the question of how to measure these contributions properly. We will come back to this concern later.

Status Consistency: Status can be as powerful a motivating force as monetary compensation or intrinsic factors. Status is usually linked to an employee's position within the organizations hierarchy, and it is not usually correlated with income between different organizations. For instance, teachers or university professors may enjoy a relatively high status in society despite receiving small salaries. Sales representatives, on the other hand, may make much bigger salaries, but they do not enjoy the same high status. However, the monetary compensation within number of institutions, for example, branch managers frequently complain that their total remuneration is lower than that of high performing loan officers.

Fairness; The goals or reference standards set out for employees must be attainable. Otherwise, rather than motivating staff, the incentive scheme will have a detrimental effect on their motivation and performance; Staff members who perform better than others should receive higher compensation. This fact should be understood by everyone in the organization; when staff members work harder and produce better results, they should receive a higher compensation and the compensation system should reflect the hierarchical levels within the organization.

Senior managers must make strategic decisions and think over the long term. Providing them with significant incentives based on short-term performance measures would be counterproductive. In any case, many of their actions and decisions are unobservable and are not directly related to particular outputs (as opposed to a loan officer, for instance), making it difficult to measure their performance. For these reasons, upper management usually receives a generous base salary, and few incentives focused on short-term performance

#### **5.4 Areas of Further Research**

Further research should be done in the areas of;

- i). The role of staff incentives scheme towards service delivery of financial institutions.
- ii). The role of monetary staff incentive schemes towards staff performance.
- iii). The Importance of Human resources management towards staff incentive scheme.

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**Appendix A:**

**QUESTIONNAIRE FOR STAFF OF CENTENARY BANK (MAPEERA HEAD  
BRANCH)**

Dear respondent,

I am Nalubwama Vanniter a student of Uganda Martyrs University carrying out a study “**The Effect of Monetary Rewards on the Performance of Workers in Commercial Banks**”. Therefore I kindly request you to spare a few minutes of your busy schedules to fill this questionnaire to enable me accomplish this task. Your honest and sincere responses are highly appreciated for academic purposes and shall be treated with utmost confidentiality. I thank you very much for your cooperation.

**SECTION A: BACK GROUND INFORMATION ON THE RESPONDENT (Please tick in the appropriate Box)**

1. Sex:            Male                        Female
2. Age: (a) 20 – 30 years                                        (b) 31 – 40 years                      
          (c) 41 - 50 years                                        (d) 51 – 60 years                      
          (d) 60 and above
4. level of Education :
- (a) Certificate                                        (b) Diploma                      
          (c) Degree                                        (d) Post graduate                      
          (d) Others (specify) .....
5. Which department do you belong to?
- a) Bank Manager & Bank Top Administrators                      
          b) Loan officers & customer care                      
          c) Account& Finance Department                      
          d) Please specify.....

**SECTION B: MONETARY INCENTIVES AT CERUDEB**

Use the key below answering the following questions: Apply a tick where applicable using the following key. 1 = Strongly disagree, 2 = Disagree, 3 = Not sure, 4 = Agree, 5 = Strongly Agree

	1	2	3	4	5
<b>SALARY</b>					
1) Salaries are paid on time					
2) Employees are motivated by salary increase					
3) I am satisfied with my current salary figure					
4) Individual wage or salary rate keeps changing					
5) The salary takes into consideration the general cost of living					
<b>ALLOWANCES</b>					
1) I receive transport allowances					
2) I receive housing allowances					
3) I receive health allowances					
4) I am given leave allowances					
5) Allowances are allocated depending on performance of the employee					
<b>BONUSES</b>					
1) I am rewarded for achieving specific goals set by the company.					
2) Bonuses are used as an incentive to obtain employees.					
3) Bonuses are given to motivate employees					
4) Employees who bring new clients to the bank are rewarded with bonus in form of commission					
5) Bonuses are not allotted to every employ in the bank					

**SECTION C: EMPLOYEE PERFORMANCE**

	1	2	3	4	5
<b>TASK PERFORMANCE</b>					
6) Assignments are completed on time					
7) Able to meet work deadlines					
8) I am able to identify problems at work					
9) Consults with supervisors and co-workers					
10) Work assignments for the day are not postponed					
<b>CUSTOMER SERVICE</b>					
6) Demonstrates appropriate interactions with customers					
7) Able to deal appropriately with confidential information of clients					
8) I treat customers courteously and professionally					
9) I highly value customers					
10) Customers complaints are well handled and solved					
<b>EFFICIENCY</b>					
6) Able to sets appropriate priorities for tasks.					
7) Manages time effectively					
8) Few or no complaints are raised					
9) Able to handle many clients					
10) There are no shortages made					

**SECTION C: RELATIONSHIP BETWEEN MONETARY REWARDS AND EMPLOYEE PERFORMANCE**

11. Do you think monetary rewards influence the employees performance?

- (a). Yes  (b) No

Why do you think so?

12. What is the effect of monetary rewards on the employee performance of an organization?

- (a). Negative   
 (b) Positive

Why? -----

12 “Motivation of employees improve on the performance of an organization”

- (a). I agree with the statement   
 (b) I disagree with the statement

**THANK YOU FOR YOUR COOPERATION**