

# **ROLE OF REWARD SYSTEMS IN ENHANCING EMPLOYEE MOTIVATION IN COMMERCIAL BANKS IN NAKURU TOWN, KENYA**

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## **Abstract**

*Reward systems are important management tools that contribute to the effectiveness of a firm. The fundamental goal of the organization is to trade profitably and for it to achieve its ultimate goal, it needs motivated employees. In view of this, this study aimed to determine the role played or ought to be played by various reward systems in enhancing the motivation of employees working with commercial banks in Kenya. The study particularly examined the role performance-based and social reward systems on employee motivation. A descriptive survey research design was adopted. The study targeted all 662 employees working with commercial banks in Nakuru town. The sample constituted 95 respondents who were obtained through stratified random sampling method. A structured questionnaire was used to collect data. Data processing and analysis were facilitated by the use of Statistical Package for Social Sciences. Both descriptive statistics and inferential statistics were used in the analysis. The results of the study were presented in tables. The study established that there existed a positive and statistically significant relationship between performance-based reward system, career reward system and employee motivation. It is inferred that the surveyed commercial banks had performance based reward system in place and regularly evaluated performance of employees. The study thus concluded that the career rewards were crucially important in enhancing*

*employee motivation. It was recommended that commercial banks ought to uphold and enhance their performance based rewards. The study recommends that career-based reward system should be embraced.*

*Keywords: Career Reward System, Commercial Banks, Employee Motivation, Performance-Based Reward System, Reward Systems*

## **INTRODUCTION**

Business entities strive to draw the best out of their workforce in a bid to increase performance and remain afloat in competitive business environment. This is done by having the right kind of personnel who are motivated to achieve organizational goals, be it performance, efficiency or productivity. It is argued that there is a relationship between rewards, motivation and job satisfaction in the banking sector (Jehanzeb, Rasheed, Rasheed & Aamir, 2012). In order for employees to maximize their performance, motivating them is imperative. It is acknowledged that there exists various ways of motivating them which revolve around the reward system. Generally, reward systems may either be intrinsic or extrinsic. They can also fall under the broad categories of financial and non-financial rewards. There are various purposes of reward system. One of the most fundamental purpose is motivation for enhanced performance

Organizations globally adopt compensation strategies which are aimed at achieving organizations strategic objectives. The reward systems are important management tools that can contribute to the effectiveness of a firm. This is because rewards influence the behavior of individuals and groups within an organization. It is acknowledged that the structure and allocation of rewards affects the levels of motivation of individuals and teams in an organization. Citing Anthony and Govindarajan (1998), Ahlgren, Andersson and Skold (2007) observe that reward systems aim to motivate employees in order to perform better and over expectations and retain them in order to build up high levels of competence. It is also noted that reward systems are designed to compensate individuals and groups which can be either financial or non-financial. According to Goel (2008) effective rewards need to satisfy the basic needs of employees, be incorporated into the organization system and be comparable to those offered by other competitive organizations in the same sector or industry. Further, it is noted that rewards need to be fairly distributed and equitably.

Reward systems vary according to organizations. According to Rudman (2003) organizations have believed that productivity improve only when pay is linked to performance and that payment by results systems and incentives are developed to support the belief. This is performance based pay system. The system has been observed to increase performance where

people receive intrinsic or extrinsic rewards (Goel, 2008). The extrinsic rewards for instance pay, bonuses, special assignment and intrinsic rewards such as job satisfaction are usually administered under the system (Dessler, 2006). Indeed, Goel (2008) established that performance related pay is an effective motivator since it communicates that high levels of performance are expected in the organization and would be rewarded.

In an examination of reward strategy employed by Premier bank in Nigeria, Maycock and Salawudeen (2014) lamented that the reward strategies employed by the bank were unfair which influenced the level of staff commitment and job satisfaction. This suggests that reward strategies are not only essential in motivating employees but also important in mitigating attrition as a result of dissatisfaction and perceived subjective reward systems. The above underlines the importance of reward strategy being premised on the principles of fairness, equitability and transparency (Perkins & White, 2008).

According to Ochange and Susan (2014) a wide range of rewards in an organization are important in motivating employees. Such rewards such as mentoring, career development, good working environment, appreciation are valued by employees and therefore crucial in motivating them for enhanced productivity and performance. While looking into the effect of human resource management strategies on the performance of commercial banks in Kenya, Ngui (2014) observed that rewards and compensation strategies are directly linked to increased performance. The author cited financial and non-financial rewards that contributed to employee motivation and consequently enhanced performance in the institutions.

The fundamental goal of the organization is to trade profitably and for it to achieve its ultimate goal, it needs motivated employees. Therefore making employees feel motivated and satisfied with their work remains a complex but an important role of the management. Motivation entails the intention of achieving a preset objective or the ability to influence and change a certain behavior. It is the inner directing drive that leads towards attaining the goal (Uzonna, 2013). It is also observed to be that which directs ones behavior and activities through energizing, giving direction and encouraging persistence in an organization (Islam & Ismail, 2008). Employee motivation is of great essence to organizational effectiveness and is a good predictor of performance and job satisfaction (Ghafoor, 2011). It is worth noting that managers invest a lot in motivating their staff in order to execute their duties and tasks to the best of their abilities to enhance organizational performance (Al-Alawi, 2005).

It is noted that different banks employ different techniques of motivating their employees. Such may include promotion, recognition, monetary rewards, paid holidays among others. Omollo (2015) observed that bank employees are motivated by monetary rewards and therefore saw the need for bank managers to draft comprehensive motivation scheme in all aspects of an

organization that compliments the output of employees. Contrary to the aforementioned, it is observed that bank employees are motivated by a number of factors other than money. Mohamed (2015) identifies that the feeling of employee being involved, job security, support of seniors on personal problems, discipline, promotion, career development among others are important factors that should not be ignored by management since they largely contribute to employee motivation.

Commercial banks in Kenya have continued to offer financial services among other functions. There are 43 commercial banks in Kenya licensed by the Central Bank of Kenya. The banks and the banking industry in general are regulated by the Companies Act, the Central Bank of Kenya as provided in the Banking Act (Central Bank of Kenya, 2012). According to the Central Bank of Kenya (2015) the performance of the banking sector has improved in terms of customer base, assets, loans and advances, profitability and deposits and it is hoped that the trend in performance would continue in the future. It is ascertained that commercial banks in Kenya are faced with issues concerning productivity, competition for customers, efficiency in operation and high staff turnover (Robbins, 2001). As such it is noted that commercial banks ought to implement motivational structures aimed to attract, retain and motivate employees to achieve organizational goals (Gomez & Balkin, 2007).

### **Statement of the Problem**

It is quite a common phenomenon that majority of the banks have youthful employees; a fact that raises fundamental questions regarding where bank staff exit to after attaining a certain age. This raises questions on the employee retention and motivation strategies adopted by commercial banks in Kenya. In the past one year, the Central Bank of Kenya has put under statutory management three local banks namely Dubai, Imperial and Chase banks represents 7.14% of commercial banks in Kenya (CBK, 2016). Resultantly, the staffs of these banks have been rendered jobless. The recent case of Chase Bank being put under receivership left the fate of approximately 1,400 employees unknown.

In spite of the well-known huge workload that staffs of commercial banks have to bear, the motivation of these staff is a debatable subject. The probable loss of employment upon collapse or statutory management of commercial banks makes the security of tenure of bank employees questionable. There is a huge though undocumented probability that a good number of bank employees will all always be on the lookout for potential greener pastures and sectors where there is security of tenure. Indeed, it has been witnessed that there are senior figures in the banking sector who, in the recent past, have exited the sector and joined the public sector in senior positions such the Cabinet Secretaries.

The foregoing demotivation is very likely to hamper the performance of individual employees and indeed the performance of respective commercial banks. Indeed, the country's economy will suffer from the resultant shockwaves. The reward systems adopted by these commercial banks are also relatively unclear particularly in respect of motivating employees. The scarcity of empirical studies on the role of reward system and employee motivation makes it quite difficult for policy makers and practitioners in the banking sector to effectively come up with policies and strategies to address this challenge. As such, this study aimed to determine the role played or ought to be played by various reward systems in enhancing the motivation of employees working with commercial banks in Kenya.

## **Objectives of the Study**

### ***General Objective***

The general objective was to determine the role of reward systems in enhancing employee motivation in commercial banks in Nakuru town, Kenya.

### ***Specific Objectives***

- i. To find out the role of performance-based reward system in employee motivation in commercial banks in Nakuru town
- ii. To establish the role of career advancement reward system in employee motivation in commercial banks in Nakuru town

## **Research Hypotheses**

**H<sub>01</sub>:** Performance-based reward system has no significant role in employee motivation in commercial banks in Nakuru town.

**H<sub>02</sub>:** Career reward system has no significant role in employee motivation in commercial banks in Nakuru town.

## **THEORETICAL REVIEW**

This section reviews both goal orientation theory and the ERG theory. The theories are discussed in context of reward systems and employee motivation.

### **Goal Orientation Theory**

Goal orientation theory was advanced by Locke and Latham according to Mikander (2010). The theory states that human behaviour is governed by goals and ambitions which result in the assumption that an employee with higher goals is likely to perform better than an employee with

lower goals. According to this theory, there exists a positive relationship between precision of goals, level of difficulty and performance. This theory is motivational in that, according to Beardwell and Clayton (2007), an employee who understands is expected of them by the organization, is likely to perform better than someone whose goals are obscure. The authors further assert that relative to the goal setting theory, sufficient and timely feedback is essential. Adequate and timely feedback, adds Mikander (2010), has several effects on employees. These include increase feelings of achievement, increase the sense of personal responsibility for their work, reduce uncertainty, and also refine performance. Therefore, the goal setting theory is fundamental in motivating employees through performance-based reward system in that, achievement of pre-set goals is ordinarily in cue with employee performance. Rewards are ordinarily enjoined with the performance of individual employees and are relative to achieving of the goals spelt out by the management of the organization.

### **Alderfer's ERG Theory**

The theory was coined by Alderfer (1969). The theory condenses Maslow's (1954) five human needs into three categories. These categories are Existence needs, Relatedness needs and Growth needs. The existence needs according to the theory combines the Maslow's human needs in the first two levels, that is physiological needs such as food, warmth, and safety needs that encompass security and shelter. Existence needs include all the material and physiological desires for instance physical love, safety and affection.

In addition, relatedness needs corresponds with Maslow's third and fourth levels of human needs, that are the sense of belonging that include family, community, workmates for social interaction, team spirit and participation, and self-esteem level needs that entail designing challenging jobs, delegating responsibilities, encouraging participation among others. Relatedness needs combine these two levels and the needs encompass social and external esteem such as creating relationships with others such as co-workers, employers and friends.

The growth needs according to ERG model include the internal self-esteem and self-actualization, needs that induce an individual to be creative and make productive of himself and the environment. This corresponds the Maslow's fourth and fifth levels that are self-esteem and self-actualization needs. The theory further states that the existence needs are the most concrete and easier to verify than relatedness and growth needs (Ball, 2010).

In sharp contrast with Maslow's theory, Ball note that the progression from relatedness needs to growth needs is not necessarily as a result of satisfaction of existence needs. Moreover, it is noted that if a more significant need is not gratified, one desires more to gratify a lesser need. The order of the needs differs for different people based on the concreteness of the needs as

opposed to Maslow's theory. The theory is therefore relevant for organizational managers in recognizing the employees' different needs and working towards satisfying them. Concentrating on one need such as financial incentives are discarding other needs is likely to impact negatively on employees since different employees are motivated differently.

## **EMPIRICAL REVIEW**

Empirical studies on organizational reward systems and employee motivation are reviewed. The reward systems on which studies are reviewed include performance-based and career reward systems.

### **Performance-Based Reward System**

According to the annual reward management study conducted by the Chartered Institute of Personnel and Development (2007), rewarding high performers is a fundamental objective of an organization. A survey of 431 organizations by IRS (2006) indicated that ensuring the company's reward offering pays for performance was the most common reason for operating a reward strategy. Suff, Reilly and Cox (2007) while looking into the new trends in performance related-pay established that performance related pay has become a firm fixture in many organizations and that when used in the right circumstances it can be used as a motivational tool for workforce. However, the authors cautioned that performance related pay on its own cannot be used to improve individual performance and organizational effectiveness. The authors advised that organizations ought to look into best situations where performance related pay can best be used in different roles to improve employee motivation and productivity.

Performance-based pay is observed to be a process that provides financial rewards among others to individuals who are linked directly to individual, group or organizational performance (Armstrong, 2005). Perry, Mesch and Paarlberg (2006) noted that merit pay is useful in creating consequences of desired behavior, for instance high performance. However in their later study in the public sector, the authors ascertained that merit pay in the public sector was blunted by lack of accurate information regarding subordinate performance, invalid contracts and diminished capacity to coordinate interdependence (Perry, Engbers & Jun, 2009).

The theme of performance-based pay was explored in Ghana (Boachie-Mensah & Dogbe, 2011). The authors investigated performance-based pay as a motivational tool for achieving organizational performance. The main objective was to assess the effect of performance-based pay on motivation of employees and on the attainment of organizational objectives in a manufacturing company. The study used questionnaires to obtain data from the 20 managerial staff and 60 non-managerial staff from the company. The study established that

the effect of performance-based pay on employee performance was marginal. It was also ascertained that the motivational effect of merit pay was hindered by subjective performance appraisal process. The study recommended that organizations wishing to adopt performance-based pay system ought to draw clear objectives for it which should be discussed at the employee level in an integrative manner.

In Uganda, Kirunda (2010) delved into performance based rewards and performance of teachers in private secondary schools in Kampala district. The study sought to examine the effect of performance based rewards on the performance of the teachers. It was noted that the most common types of performance based rewards used were public appreciation of teachers, promotion, packages, overtime pay and allowances. More so, it was ascertained that performance based pay affected performance of the teachers by motivating them and enhancing their productivity and efficiency. It was recommended that rewards ought to be based on performance considerations after an objective and accurate evaluation of its effects on the recipient.

A study was carried out by Wanjiru (2012) on performance based compensation practices among commercial banks in Kenya. The study used cross-sectional descriptive survey design and targeted all the commercial banks in Kenya. The study relied on primary data collected using questionnaire. It was noted that commercial banks used performance based compensation system. The piece rate system used however did not pay higher piece rate wage if employees produced more than the standard. It was recommended that to improve productivity, compensation and reward systems should be aligned with performance in commercial banks.

### **Career Reward System**

It is observed that training of employees is vital in enhancing their knowledge and skills for effective development (Jun, Cai & Shin, 2006). Martensen and Gronholdt (2001) established that training programs aid in the development of employees competencies. In their study on total quality management practice in maquiladora, Jun et al (2006) ascertained that employee training programs are essential in self-assurance and more so in evolution of employee careers in an organization. In another study, Aktar, Sachu and Ali (2012) established that career advancement opportunities for employees were effective in motivating workers and enhancing performance when they assessed the impact of rewards on employee on performance in commercial banks in Bangladesh.

In another study, Edirisooriya (2014) embarked on the impacts of rewards on employee performance with a special focus on a public organization in Sri Lanka. The study investigated



the relationship between extrinsic reward, intrinsic reward and employee performance. The study found that high opportunities for career advancement in the Sri Lanka public sector were fundamental in employee performance improvement. An earlier research by Armstrong (2008) underscored the importance of opportunities to grow as a way of rewarding workforce and therefore motivating them. Eshwar and Head (2014) in their study on reward, motivation and job satisfaction in commercial banks in Chennai found that job security, training and opportunity for development were important factors that change employee performance.

It is argued that career development affects motivation and performance of employees in an organization (Mwanje, 2010). The author delved into career development and staff motivation focusing on the bank of Uganda. The study used case study research design where the data was collected using self-administered questionnaires. The study found that career advancement significantly influenced staff motivation. There was lack of opportunities concerning career paths despite the existence of career advancement training. The irrelevant training of employees resulted to lack of career advancement. The study recommended that there should be clear and transparent policies that minimize constraints to career advancement and that enhance fair promotion in the bank. Nwokocha and Iheriohanma (2012) on the other hand established that lack of job security was one of the major factors that contributed to employee job dissatisfaction and turnover in Nigeria.

A study on the determinants of compensation system among commercial banks in Kenya was conducted by Moragwa (2013). In the study it was noted that constructing an employee development plan that promises employees career track opportunities with the company is one of the most effective ways of compensation that reduces employee turnover. The author further noted that an upward career track should accompany corresponding salary and merit increases. In their study of the determinants of employee engagement in the Kenyan banking sector, Mokaya and Kipyegon (2014) noted that the cooperative bank of Kenya provided relevant training opportunities for its employees that aided them in career development and contributed to employee engagement in the bank.

Previously, Cherotich (2012) evaluated the effects of total reward on job satisfaction among bank employees in Nakuru, Kenya. The bank employees were targeted and a sample of 108 employees was obtained through stratified random sampling method. Data was obtained through use of questionnaires. It was noted that banks provided training, career development and promotion and this led to employee satisfaction. In his study on commercial banks in Kenya, Khalumba (2012) noted that indeed lack of effective training and development and career development programs negatively affected financial performance of commercial banks.

The author underlined the importance of career advance programmes, training and development in enhancing improve performance of commercial banks

### **Employee Motivation**

An empirical study by ArunKumar (2014) examined the relationship between employee motivation, satisfaction and organizational commitment. The study focused on Malaysian retail sector. The major objective of the study was to ascertain the motivating and de-motivating factors that influenced job satisfaction and establish the nexus between motivation, job satisfaction and organizational commitment. It was noted that motivating variables such as monetary benefits, non-monetary benefits, prospects of promotion, good salary, training and development contributed to overall employee motivation and satisfaction in their jobs. The study further noted that motivation is a psychological trait that results to organizational commitment.

According to Cristescu, Stanila and Andreica (2013) employees can be motivated intrinsically or extrinsically and it is therefore the role of the organization to establish different motivational factors for their employees. A research conducted by Jeswani and Souren (2008) indicated that decreased employee motivation is as a result of employee disengagement which leads to higher dissatisfaction levels and consequently decreased performance. Uzonna (2013) while assessing the impact of motivation on performance of CreditWest bank in Cyprus determined that the use of non-cash rewards were cost effective and efficient techniques of improving employee motivation which was linked to better performance. It was recommended that managers ought to provide growth opportunities and more challenging work in order to motivate employees.

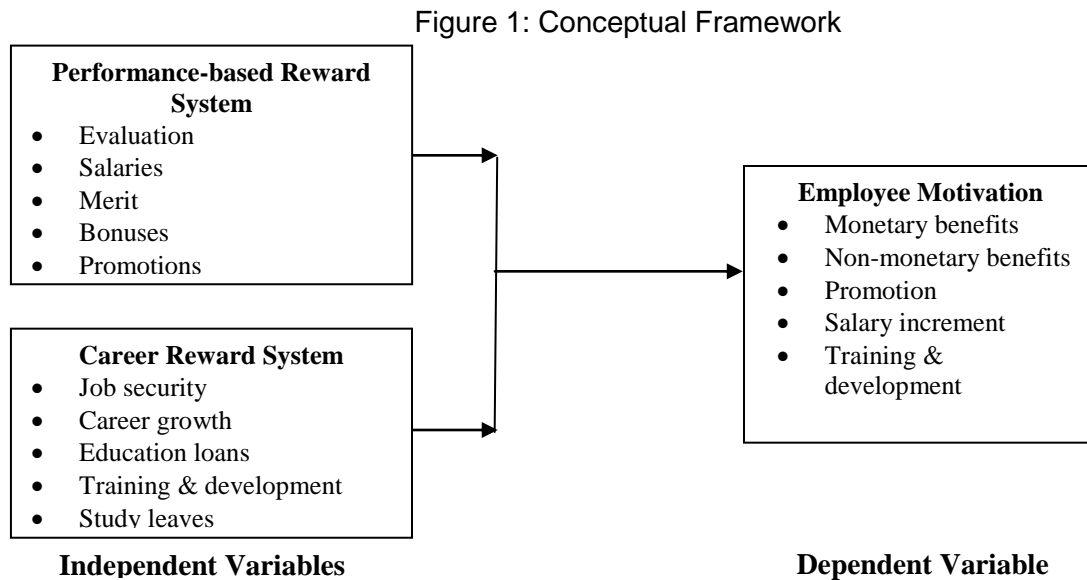
In South Africa, the relationship between leadership style and motivation and employee commitment after merger in a retail bank was investigated (Chipunza, Samuel & Mariri, 2011). The study targeted employees of the banks where 17 managers and 104 non-managers participated in the study. Leadership questionnaire, organizational commitment questionnaire and employee motivation questionnaire were used to measure leadership styles, employee commitment and employee motivation respectively. It was discovered that transformational and laissez faire leadership styles influenced motivation of employees. Moreover, it was noted that there were low motivation and commitment among the surveyed employees after mergers especially in a depressed economic environment. It was recommended that organizations ought to communicate clearly the defined goals during organizational changes such as mergers since they are part of the organization and share in the vision of the organization.

In addition, Omollo (2015) assessed the impact of motivation on employee performance. The study particularly focused on employees of Kenya Commercial Bank in Migori, Kenya.

Descriptive research design was used and questionnaires were used to collect data from sampled respondents. The study noted that employees were motivated by monetary rewards more than non-monetary rewards. Good working environment was also noted to contribute to increased motivation of employees in the bank. Generally, it was noted that motivation was key to improved performance of the bank and recommended that bank managers should have a comprehensive motivation scheme in all aspects of an organization that is linked to employee output.

The subject of learning organization and employee motivation was investigated (Mohamed, 2015). The concept was examined in the context of Equity bank in Kenya. The author sought to determine whether the elements of learning organization affected motivation of employees at Equity bank. It was established that motivation of employees emanated from such factors as the feeling of being involved, job security, good working conditions, appreciation for well-done jobs, good salaries and wages and public recognition. It was also noted that learning organization practices such as leaders empowering employees, communicating business directions, team work among others largely contributed to employee motivation.

**Conceptual Framework**



As shown in Figure 1, there are two types of variables captured by the conceptual framework. These are independent and dependent variables. The independent variables are include performance-based reward system and career reward system. As indicated in conceptual

framework, there exists a hypothetical relationship between each of the aforementioned independent variables and employee motivation.

## **METHODOLOGY**

### **Research Design**

A research design is said to be a roadmap of conducting a research study. A good research is founded on a good research design. Relative to the research problem and study objectives, a descriptive survey research design was adopted. As stated by Kothari (2008), descriptive studies describe the phenomena as they are and also attempt to answer “what” kind of questions. Survey studies, as opposed to longitudinal studies, are carried out over a specific point in time or period of time. These criteria tally with the present study, hence the choice of descriptive survey as the research design.

### **Target Population**

An aggregate of individuals sharing similar or related character traits constitute target population. It is also referred to as a complete set of elements or individuals possessing some common characteristics defined by the sampling criteria established by the researcher. The study targeted all employees working with commercial banks in Nakuru town, Kenya. At the time of conducting this study, there were 27 commercial banks with a total of 34 bank branches in the town employing 662 persons. Therefore, the 662 employees comprised the target population for the study.

### **Sampling Frame**

A sampling frame is a list of individuals in the population from which a sample is obtained. The 662 employees working with commercial banks in Nakuru town constituted the sampling frame.

### **Sample Size and Sampling Technique**

A sample is described as constituting the selected subjects or individuals chosen for participation in a given study. A scientific formula by Nassiuma (2008) was used to determine the sample size as outlined below.

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

Where:

n = Sample Size

N = Target Population

C = Coefficient of Variation ( $21\% \leq C \leq 30\%$ ),

e = Precision Level ( $2\% \leq e \leq 5\%$ )

Therefore;  $n = \frac{662 \times 0.21^2}{0.21^2 + (662 - 1) 0.02^2}$

$n = 94.63$

$n = 95$  respondents

As shown in the calculations above, the sample constituted 95 respondents (employees) of commercial banks in Nakuru town.

The sampling technique describes the method used to draw sampled respondents from the target population. Given that there is a cross-section of banks (27) and bank branches (34) currently in operation in Nakuru town, stratified random sampling method was adopted. This is a probability sampling method which enhances sample's representativeness of the target population in that all bank branches (strata) had their employees participating in the study. The selection of participating (sampled) respondents was proportionate to the number of employees working with each of the targeted bank branches.

### **Research Instrument**

A structured questionnaire was used to collect data. According to various scholars, it is advisable to employ research questionnaires in collection of data in survey studies (Mathers, Fox & Hunn, 2009). Questionnaires, according to the authors are feasible in enabling accessibility of widely dispersed participants. The questionnaire contained questions on background information of both respondents and commercial banks, and also questions on study objectives. The questions relative to study objectives were on a 5-point Likert scale.

### **Pilot Testing**

The research instrument (questionnaire) was first tested to determine if it was valid and reliable enough to be used in collection of data that could be used to address the study objectives sufficiently. The pilot study will be carried out amongst randomly selected employees with commercial banks in Molo town in Nakuru County. An equivalent of about 10% of the sampled employees will participate in the study. The choice of Molo town is to ensure exclusion of the participants of the pilot study from the main study.

### **Validity Testing**

The study will test both the content validity and construct validity. Content validity is a set of operations or measures which together operationalize all aspects of a concept. As observed by

Kimberlin and Winterstein (2008) determination of this validity is through expert advice of, say, university supervisors since it can be tested statistically. Therefore, the researcher consulted with the university supervisor to determine the validity of the research questionnaire.

### **Reliability Testing**

Reliability is a measure of internal consistency of a research instrument. According to Mathers et al (2009), reliability entails the extent to which a given measure returns consistent results; and it is also a prerequisite for validity. In this study, the Cronbach alpha coefficient ( $\alpha$ ) was used to measure the instrument's reliability. The variables that returned coefficients equal to or greater than 0.7 were considered reliable. As shown in Table 1, all the three study constructs returned alpha coefficients greater than 0.7. This implied that the research questionnaire was reliable enough to be used in facilitating collection of data for the main study.

Table 1: Reliability Test Results

<b>Study Constructs</b>	<b>Test Items</b>	<b>Alpha Coefficients</b>
Performance-based Reward System	5	0.81
Career Reward System	6	0.79
Employee Motivation	5	0.84

### **Data Collection Procedure**

Data collection was preceded by obtaining of consents and/or permits from the relevant authorities. Firstly, a formal introductory letter will be obtained from the School of Business of Jomo Kenyatta University of Agriculture and Technology. This was followed by seeking consent of the management of commercial banks targeted in the study. The questionnaires were issued by the researcher in person to the sampled respondents through the management and/or human resource department. The filled questionnaires were collected after a period of about three days from the date of their issuance.

### **Data Processing and Analysis**

Data processing and analysis were facilitated by the use of Statistical Package for Social Sciences (SPSS) version 21.0 software. Both descriptive statistics and inferential statistics were used in the analysis. Descriptive statistics included means and standard deviations to address research variables. Inferential statistics were in form of Pearson's correlation and multiple regression analyses which outlined the relationship between organizational reward systems and employee motivation, and the extent to which those reward systems impacted on employee

motivation in commercial banks. The results of the study were presented in tables. The following regression function guided inferential analysis.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y	=	Employee Motivation
$\beta_0$	=	Constant
$X_1$	=	Performance-Based Reward System
$X_2$	=	Career Reward System
$\varepsilon$	=	Error term
$\beta_1, \beta_2$	=	Regression Coefficients

## FINDINGS AND DISCUSSIONS

### Response Rate

Response rate refers to the questionnaire return rate. That is, the number of questionnaires that are collected or returned having been completely filled (Nulty, 2008). The sample size constituted 95 respondents. This implies that a total of 95 questionnaires were administered on the sampled respondents. The questionnaires that were completely filled and collected from the respondents totaled 72. This translated to 75.79% response rate which was over and above the 75% response rate threshold in survey studies (Nulty, 2008).

### Descriptive Findings

Moreover, the study sought respondents' opinions in respect to performance-based reward system, career reward system and employee motivation. The findings in respect to these study constructs are outlined in this section. The data analyzed were on a 5-point Likert scale where scores 1, 2, 3, 4, and 5 represented strongly disagree, disagree, not sure, agree, and strongly agree respectively. The findings are presented using means as a measure of central tendencies and standard deviations as a measure of dispersion.

### *Performance-Based Reward System*

The respondents' views in regard to performance-based reward system in the context of employee motivation were sought. Their responses were analyzed and are as presented in Table 2.

Table 2: Descriptive Statistics for Performance-Based Reward System

	n	Min	Max	Mean	Std. Dev
Our performance is regularly evaluated	72	1	5	3.86	1.039
Our salaries are pegged on our performance	72	1	5	2.94	1.342
Our remuneration varies according to individual merit performance	72	1	5	2.97	1.244
We get bonuses at the end of financial year depending on individual performance	72	1	5	2.42	1.392
Promotions are subject to individual employee performance	72	1	5	2.58	1.264

The study found that respondents were in agreement (mean = 3.86; std dev = 1.039) that the performance of employees was regularly evaluated. However, respondents were non-committal (mean  $\approx$  3.00; std dev > 1.000) regarding the assertion that employee salaries were pegged on the performance and that remuneration varied in respect to individual merit performance. In addition, respondents were unsure (mean = 2.58; std dev = 1.264) whether or not promotions were subject to individual employee performance. It was disagreed (mean = 2.42; std dev = 1.392) that employees received bonuses at the end of financial year depending on individual employee performance.

### **Career Reward System**

The study determined whether the surveyed banks had career reward system in place. Furthermore, respondents' take on career reward system in the context of employee motivation was sought. In Table 3 are the outcomes of the analysis.

Table 3: Descriptive Statistics for Career Reward System

	n	Min	Max	Mean	Std. Dev
There is job security in our firm	72	1	5	2.94	1.086
Our bank facilitates for our career growth	72	1	5	2.75	1.196
Our bank gives us interest free education loans	72	1	5	2.56	1.266
Our bank organizes training and development for the staff	72	1	5	3.50	1.048
Our bank facilitates self-development of its employees	72	1	5	2.87	1.061
Our bank offers paid study leaves for its employees	72	1	5	2.36	1.346

The sampled respondents admitted (mean = 3.50; std dev = 1.048) that commercial banks organized training and development for their staff. Respondents, nevertheless, disagreed (mean = 2.36; std dev = 1.346) that banks offered paid study leave for their employees. Respondents were neutral (mean  $\approx$  3.00; std dev > 1.000) regarding the opinion that there was job security in banks and that banks offered interest free education loans. It was unclear (mean  $\approx$  3.00; std dev



> 1.000) whether commercial banks facilitated self-development for their employees and if they facilitated career growth.

### **Employee Motivation**

Lastly, the study examined the opinions of the respondents in respect to employee motivation in surveyed commercial banks. Table 4 indicates the findings.

Table 4: Descriptive Statistics for Employee Motivation

	n	Min	Max	Mean	Std. Dev
Our bank gives us monetary benefits to motivate us	72	1	5	2.69	1.274
Our bank gives us non-monetary benefits to motivate us	72	1	5	3.03	1.244
Performing employees are promoted	72	1	5	2.93	1.260
Good performance is rewarded by salary increment	72	1	5	3.11	1.157
Our bank organizes and executes training and development for its staffs to motivate them	72	1	5	3.31	1.043

It was revealed that respondents were not sure (mean  $\approx$  3.00; std dev > 1.000) regarding the proposition that commercial banks offered monetary and non-monetary benefits to their employees. In addition, respondents were non-committal (mean  $\approx$  3.00; std dev > 1.000) on the assertion that performing employees were promoted and that good performance was rewarded by salary increment. It was also not clear (mean = 3.31; std dev = 1.043) if the banks organized and executed training and development for their staff in order to motivate them.

### **Inferential Findings and Interpretations**

In addition, the study determined the relationship between organizational reward systems (performance-based reward system and career reward system) and employee motivation. Correlation analysis aided in determining the aforesaid relationships. Moreover, multiple regression analysis was employed to examine the influence of organizational reward systems on employee motivation.

### **Relationship between Performance-based Reward System and Employee Motivation**

The relationship between performance-based rewards and employee motivation was determined. The relationship is indicated in Table 5.

Table 5: Correlation between Performance-based Reward System and Employee Motivation

	<b>Employee Motivation</b>	
<b>Performance-based Reward System</b>	Pearson Correlation	.431**
	Sig. (2-tailed)	.000
	n	72

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

It was established that there existed a positive, moderately strong and statistically significant ( $r = 0.431$ ;  $p < 0.05$ ) relationship between performance-based reward system and employee motivation at 0.01 significance level. The results indicated that as performance-based reward system was improved employees were more likely to feel motivated. Impliedly, performance based reward system enhanced employee motivation. As commercial banks continued to reward employees based on their performance such as bonuses and promotions then the more the employees were motivated.

#### ***Relationship between Career Reward System and Employee Motivation***

Further the existing nexus between career reward system and employee motivation was examined. The relationship is illustrated in Table 6.

Table 6: Correlation between Career Reward System and Employee Motivation

	<b>Employee Motivation</b>	
<b>Career Reward System</b>	Pearson Correlation	.578**
	Sig. (2-tailed)	.000
	N	72

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

It was found that the relationship between career reward system and employee motivation was positive, moderately strong and statistically significant ( $r = 0.578$ ;  $p < 0.05$ ). The results implied that a change effected on career reward would likely result in a related change in employee motivation. In this vein, it is exemplified that bettering career reward system was very likely to result in enhanced employee motivation and vice-versa. This meant commercial banks' use of career rewards such as training and development of their employees enhanced employee motivation. Therefore, career rewards were fundamental in ensuring motivation amongst employees.

**Effect of Organizational Reward System on Employee Motivation**

The effect of organizational reward systems on employee motivation in commercial banks in Nakuru town was examined with the aid of multiple regression analysis. Multiple regression was used to show the extent to which organizational reward systems which were performance-based and career reward systems, influenced employee motivation in the surveyed commercial banks. Analysis of variance (ANOVA) was used to determine the significance of the two reward systems in enhancing employee motivation.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.687 <sup>a</sup>	.472	.439	.748

a. Predictors: (Constant), Performance-Based Reward System, Career Reward System

The results indicated in Table 7 illustrate that the organizational reward systems investigated in this study positively and strongly enhanced employee motivation. As indicated in the aforesaid Table, 43.9% of employee motivation was as a result of organizational reward systems ( $R^2 = 0.472$ ), that is, performance-based reward system and career reward system. It was, therefore, noted other factors besides organizational reward systems (such as working environment, compliance with legal stipulations among others) explained 56.1% of employee motivation in commercial banks in Nakuru town.

Table 8: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	32.447	4	8.112	14.507	.000 <sup>a</sup>
Residual	36.344	65	.559		
Total	68.791	69			

a. Predictors: (Constant), Performance-based reward system, career based reward system

b. Dependent Variable: Employee Motivation

It was observed as shown in Table 8 that the relationship between organizational reward systems and employee motivation was positive and statistically significant ( $F = 14.507$ ;  $p < 0.05$ ). Therefore, as organizational reward system was enhanced the motivation of employees working with commercial banks in Nakuru town was also enhanced. Table 9 shows the results of regression coefficients.

Table 9: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.211	.611		-1.983	.052
Performance Based Reward System	.338	.104	.305	3.258	.002
Career Reward System	.744	.223	.405	3.341	.001

a. Dependent Variable: Employee Motivation

The interpretation of the results indicated in Table 9 follows the following multiple regression model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

This implies:

$$Y = -1.211 + 0.338X_1 + 0.744X_2$$

According to the findings indicated in Table 9 and interpreted in the above model, in order to increase employee motivation by 1 unit, there had to be increase in 0.338unit and 0.744unit in performance-based reward system and career reward system respectively. This is realized when -1.211 representing other factors influencing employee motivation is held constant. The results further indicated that, generally organizational reward systems did not significantly influence employee motivation in surveyed commercial banks ( $t = -1.983$ ;  $p > 0.05$ ). However, it was noted that performance-based reward system ( $t = 3.258$ ;  $p < 0.05$ ) and career reward system ( $t = 3.341$   $p < 0.05$ ) significantly enhanced employee motivation. The results led to the rejection of both the first and second null hypotheses. According to the results, therefore, the most important of the reward systems was career reward system. As such it is imperative for commercial banks to place more emphasis on the stated reward system in order to have a more motivated workforce.

## SUMMARY

It was concurred that the performance of employees was regularly evaluated. However, respondents were non-committal regarding the view that employee salaries were pegged on the performance and that remuneration varied in respect to individual merit performance. In addition, respondents were unsure of the assertion that promotions were subject to individual employee performance. The study disagreed that employees received bonuses at financial year end depending on individual performance. The results of correlation analysis established that there existed a positive, moderately strong and statistically significant relationship between

performance-based reward system and employee motivation. Moreover, the influence of the same of employee motivation was found to be significant.

It was admitted that commercial banks organized training and development for their staff. Respondents, nevertheless, disagreed that banks offered paid study leave for their employees. It was unclear whether or not there was job security in banks and if the banks offered interest free education loans. The views that the bank facilitated self-development for its employees and that it facilitated career growth remained inconclusive. It was revealed that a positive, moderately strong and statistically significant relationship existed between career reward system and employee motivation. The influence of the aforesaid reward system on employee motivation was further established to be significant.

The study determined that it was unclear whether commercial banks offered monetary and non-monetary benefit to employees. In addition, it was also not clear whether performing employees were promoted and that good performance was rewarded by salary increment. Respondents were indifferent of the view that the bank organized and executed training and development for its staff in order to motivate them. The study further illustrated that organizational reward systems accounted for almost 50% of employee motivation in commercial banks. In addition, it was observed that the relationship between organizational reward systems and employee motivation was positive and statistically significant. However, the influence of the organizational reward system on employee motivation was not significant. The most important organizational reward systems were career reward system and performance based reward system.

## CONCLUSIONS

It is inferred that the surveyed commercial banks had performance based reward system in place and regularly evaluated performance of employees. In addition, it was observed that the system was key in enhancing employee motivation in the banks. Therefore commercial banks ought to be inclined more towards rewarding employees based on group and individual performance.

The advancement of career in an organization set up especially for commercial banks can be challenging owing to the nature of the work. However it is noted that career based rewards are one of the most valued rewards by employees. It is noted the commercial banks organized training and development for the staff which was important advancing their career. The study thus concluded that the career rewards were crucially important in enhancing employee motivation.

## RECOMMENDATIONS

It was recommended that commercial banks ought to uphold and enhance their performance based rewards by including such rewards as bonuses and overtime pay. Furthermore, it is recommended that employees should be appraised on a number of performance criteria.

The study recommends that commercial banks and other financial institutions ought to embrace with zeal career-based reward system. These entities should motivate their performing employees by granting them study leaves and interest-free loans to enable them, advance their studies. The banks should also organize for conferences, workshops, seminars and/or retreats geared towards advancing employee training and development. This is indeed expected and likely to resonate positively with employee performance and performance of commercial banks.

## LIMITATIONS OF THE STUDY

The study faced some challenges especially during data collections. In the wake of the happenings in the banking sector in Kenya, respondents were rather skeptical to participate in the study for fear of being reprimanded by their seniors. The researcher had to assure them that their identity and that of their banks was to remain anonymous for the entire period of the study. In addition, they were assured that the study was purely academic and that the researcher was very willing to share the findings of the study with any interested party. The research questionnaire contained close-ended questions exclusively which had a likelihood of dissuading respondents from giving their open views regarding the constructs of the study. In view of this limitation, the researcher ensured that the questionnaire was structured in such a way that it contained questions that addressed research objectives comprehensively.

## SUGGESTIONS FOR FURTHER RESEARCH

It is suggested that a study should be conducted on other organizational factors not investigated in the present study than can influence employee motivation in commercial banks in Kenya. In addition, an empirical investigation on the relationship between employee motivation and employee performance in middle tier banks would be recommended. Lastly, a study on the relationship between employee motivation and employee engagement in commercial banks is recommended.

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