# INFLUENCE OF FINANCIAL AND NON-FINANCIAL INCENTIVES ON EMPLOYEE'S JOB PERFORMANCE AT EQUITY BANK LIMITED, MOUNT KENYA REGION, KENYA

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## DECLARATION

This research project is my original work and has not been presented for an award of degree in any other university

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This research project has been submitted for examination with my approval as University Supervisor

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## DEDICATION

This research project is dedicated to my loving husband Francis Makara, my daughter Elsie Muthoni and my parents Mr. and Mrs. Francis Njugi for their continued support.

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I am grateful to the Almighty for helping me to get to this stage of my studies. My most sincere gratitude and appreciation goes to my supervisor Dr. Paul Waithaka through whose able supervision and guidance was integral to the writing up of this research project.

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## OPERATIONAL DEFINITION OF TERMS

| | |
|---|---|
| **Commercial Banks** | These are financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. |
| **Incentives** | It is anything that motivates or encourages one to do something. |
| **Job performance** | It is the assessment whether a person performs a job well. |
| **Financial incentives** | These are money-based reward given when an employee meets or exceeds expectations. Monetary incentives can include cash bonuses, stock options, profit-sharing and any other type of reward that increases an employee's compensation. |
| **Non-financial incentives** | It refers to compensation given in a transaction which does not involve cash. |
| **Performance** | It is a rating system used to determine abilities and output. In this study, it is the measure of quality expectation, relative to his or her peers, on several job-related behavior and outcomes. |
| **Workplace** | It refers to the immediate surrounding conditions in which an employee operates. For the purpose of this study, this variable has been operationalized with the help of following dimensions; physical and psychosocial environment and work life balance. |

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **EBS** | Equity Building Society |
| **NACOSTI** | National Commission for Science, Technology and Innovation |
| **SPSS** | Statistical Package for Social Sciences |

## ABSTRACT

The success of an organization greatly relies on the performance of its employees. Finding the possible and effective ways to encourage people to exert extra effort beyond what is normally required among the employers and business researchers. It is believed that an employee's behaviour is influenced by the different types of incentives. Therefore, for the purpose of rewarding as well as recognizing greater performance, incentives are key tools in regard to employee motivation. One of the ways of motivating employees is financial and non-financial incentives. The performance of an employee depends on the strength of incentive schemes used in an institution. In the rapid development of financial markets, commercial banks with Equity bank being one are facing intense competition and various challenges against the financial and non-financial incentives that already exist. The guidelines state that high standards need to be set by banks with appropriate incentives scheme framework. Equity bank found itself at the receiving end when it began losing good employees to the competition. The traditional financial and non-financial systems in place appeared to be inadequate to meet the employee's needs. This study therefore intends to find out whether the incentives offered at Equity bank will increase employee job performance and assist the organization achieve its goals. The objectives of the study will be; to establish the influence of compensation on employee job performance, to determine the influence of incentives on employee job performance at Equity Bank, Mt. Kenya Region, to assess the influence of working conditions on employee job performance and lastly to determine the influence of recognition on employee job performance at Equity Bank, Mt. Kenya Region. The study was carried out at Equity bank Mt. Kenya Region. The study adopted the descriptive research design. The target population will comprise of 447 Equity bank employees in Mt. Kenya region. In this study the research will take on 30% of the employees which means, 134 employees were selected. The researcher relied on self-administered questionnaires. The researcher used Statistical Package for Social Sciences (SPSS) version 17.0. Descriptive statistics such as frequencies, percentages were used to summarize the data. Pearson's correlation coefficient was used to establish the relationship between the independent and the dependent variable. The findings revealed that that there was a significant and positive relationship between compensation and job performance. The findings showed that respondents were in agreement that favorable insurance medical cover, and bonus at the end of the year were not important in increasing employees' job performance. The study recommended that the bank should put in place recognition incentives such as recommendation letters and employee of the month award so as to motivate the employees hence increase their performance. Taking the limitations and delimitations of the study, researcher suggested that since the study was carried out in one bank, a similar study could be carried out in another commercial bank to establish the factors that influence job performance in the banks. Since the study concentrated on only four variables namely compensation, incentives, working conditions and recognition, another study could be carried out on other variable to establish whether there are other variables that could influence employee's job performance.

# CHAPTER ONE
# INTRODUCTION

## 1.1 Background to the Study

It is widely recognized that human resources are one of the key assets of an organization because most things are performed and achieved by people. To put it simply, the success of an organization greatly relies on the performance of its employees. Finding the possible and effective ways to encourage people to exert extra effort beyond what is normally required among the employers and business researchers (Cadsby, Song & Tapon, 2013). Therefore, not only should organizations prepare the best strategy to improve their existing performance, but each organization should also come up with the best way to recruit qualified staff, to retain and to motivate their employees at the highest level so that the organization as a whole can perform well within their operational environment.

In this regard, all organizations, whether profit oriented or non-profit oriented, need to motivate their employees in order to be effective and efficient in their operation. Locke and Latham (2008) argued that even though the theories of work motivation exist and shed some light on employee motivation, they all have some limitations, and thus, our understanding and knowledge of what motivates employees is still very much incomplete. Thus, understanding what motivates employees to work near or at the highest level is a critical issue for all organizations. Many retail organizations in South Africa are adopting a strategic approach to motivation management in order to improve their competitiveness, profit and sales.

Common strategies employed include ensuring employee loyalty, organizational citizenship behavior, and appropriate rewards (Bateman & Snell, 2007). The design and management of motivational reward systems present managers with one of the most difficult human resource tasks. Bagraim (2007) noted that, there is need to find out the needs and goals of employees in order to address them and achieve the required motivation. Thompson (2005) indicate that a properly designed motivational reward structure is management‘s most powerful tool for mobilizing organizational commitment to successful strategy execution and productivity (Alwabel, 2005).

Arnolds and Venter (2007) stated that there is a huge crisis of motivation in most large corporations. Their findings show that, business firms spend billions of money each year on courses and incentives, to increase employee motivation, but these interventions do not always translate into higher levels of employee motivation. This is as a result of the different perceptions between management and subordinates on the way organizational goals should be achieved. Employees and managers give different levels of importance to various motivational rewards depending on the situation. Delany and Turvey (2007) noted that, managers want a workforce with speed, high productivity and adaptability to change.

It is believed that an employee’s behavior is influenced by the different types of incentives. Therefore, for the purpose of rewarding as well as recognizing greater performance, incentives are the key tool in regard to employee motivation (Hartman, Kurtz, & Moser, 2012). Apart from those, it would depend on the organization to determine what type of incentives are needed for their specific situation (Lawler, 2006). Organizational value and culture are also important in determining the success of employee incentives. It is not always about the money, it can be a symbol of what an organization believes is valuable (Lawler & Jenkins, 2012).

Kohn (1993) argues that financial incentives encourage compliance rather than risk-taking because most rewards are based only on performance. As a result, associates are discouraged from being creative in the workplace. Another argument Kohn presents is that financial incentives may be used to circumvent problems in the workplace (Lawler, 2006). Employers may use financial incentives as an extrinsic rather than an intrinsic motivator. In other words, employees are driven to do things just for the financial reward versus doing something because it is the right thing to do.

This can disrupt or terminate good relationships between employees because they are transformed from co-workers to competitors, which can quickly disrupt the workplace environment (Bagraim, 2007). On the other hand, the purpose of non-financial incentives is to reward employees for excellent job performance through opportunities, including flexible work hours, training and education, pleasant work environment, and sabbaticals. Financial and non-financial incentives vary in their roles, effectiveness, and appropriateness, depending on the type of incentive.

Latham and Ernst (2006) argues that incentives must take into account the workers for whom they were created. A balance between financial and non-financial incentives should be used to satisfy the diverse needs and interests of employees. Creating a balance sheet is a simple exercise that can be used for evaluating incentive programs (Sansone, & Harackiewicz, 2009). Use of incentives is one of the work policies that are essential in the quest for the achievement of defined goals in an organization, specifically performance goals (Smith, Kendall, & Hulin, 2009).

A body of experience, research and theory has been developed to study motivational rewards. Some of the researches focused on non-financial motivational techniques. An example is the research by Arnolds and Venter, (2007) on the strategic importance of non-financial motivational rewards. However other research for example Ramms (2007) focused on money as a motivator on all levels of employment. This presented challenges and misconceptions regarding money as a motivator since different levels of employees are motivated by different factors. It is possible that lower level employees whose needs fall under lower order needs according to Maslow’s hierarchy of needs can be highly motivated by financial rewards depending on how these financial rewards are administered.

Bates and Ratto (2006) indicates, for money to motivate, merit pay rises must be at least seven percent of base pay for employees to perceive them as motivating and to catch anybody’s attention. Buchan, Thompson and O’May (2010) expressed that incentive can be positive, negative as in disincentives, financial or non-financial, tangible or intangible. Some authors separate incentives into three types: financial incentive, non-financial tangible incentive (coupons or vouchers for foods, vocation trip or others), and non-financial intangible (employee recognition, praise or appreciation on job accomplishment, positive evaluation and feedback).

Although there are significantly different types of incentives that could be utilized, a useful distinction between financial and non-financial incentive is commonly used.

Financial incentives involve granting of financial reward such as bonuses, commission, pay increases or other benefits (De Cenzo, 2006; Buchan, Thompson & O'May, 2008). Whereas, non-financial incentives do not involve any payments or benefits and it mostly relates to psychological and emotional fulfillment (Assaf, 2009; Bunchan, Thompson & O'May, 2009).

For instance, encouraging employees to participate in decision-making, provide more autonomy in their job, and improve their working environment. The purpose of financial incentives is to reward employees for excellent job performance through money, including profit sharing, project bonuses, stock options and warrants, scheduled bonuses, and additional paid vacation time. Traditionally, these have helped maintain a positive motivational environment for employees.

### 1.1.1 Financial and Non-Financial Incentives

Incentive is defined as a technique, which is usually used by employers to carry out their end of the employment contract, a form of compensation to the employees for their effort (Hartman, Kurtz & Moser, 2011). Incentives are tangible or intangible rewards used to motivate a person or group of people to behave in a certain way (Collins, Tinkew & Burkhauser, 2008). A similar definition is given by Zurn, Dolea and Stilwell (2005). Incentive is "an explicit or implicit financial or non-financial reward for performing a particular act. Meanwhile Banjoko (2006) generally regards incentive as variable payments, which are made to employees or a group of employees on the basis of the amount of output or based on the achieved result.

Incentive could also be defined as compensation other than basic salaries or wages that usually fluctuates based on employee exceptional performance and their attainment of some standard set by the organization (Martocchio, 2006). The theoretical basis for money as an effective incentive motivator has been given attention over the years (Mitchell & Mickel, 1999). In the most general sense, money has been shown to attract, motivate, and retain employees as well as to serve as a reinforcer of employee performance (Stajkovic & Luthans, 1997, 2003), and when withheld, money can act as a punisher (Milkovich & Newman, 1999).

Theoretically, money serves as an incentive primarily because it can be exchanged for other desirable outcomes such as goods, services, or privileges (Komaki, 1996). Although many forms of financial incentives are available (for example vacations, gift certificates), lump-sum bonuses are becoming a commonly used pay method to retain and motivate employees (Sturges, 1994; Sturman & Short, 2000). Lump-sum bonuses are cash payments to employees that are not added to employees' base wages and therefore do not cause larger fixed labor costs in the long run (Dulebohn & Martocchio, 1998). In addition, lump-sum bonuses are a part of compensation that is not guaranteed and are usually paid in recognition of some level of performance attainment or goal achievement (Milkovich & Newman, 1999).

It is suggested in the literature of human resource management and organizational behavior that non-financial incentives act effectively in motivating employees. The essence of incentives is to establish linkage with desired behavior and the outcome that makes the employee feel appreciated (Whetten & Cameron, 2007). Non-financial rewards play a significant role in the perception of the employee regarding the reward climate in the workplace (Khan, 2013). When organizations pay attention to non-financial tools such as opportunity of increasing holiday and family benefits, the employee may perceive the organization as a supporting and caring organization. Rewards are important factors that explain certain job aspects that contribute significantly to the organization such as job satisfaction. Non-financial incentives in organizations are most closely associated with recognition and performance feedback.

Although the non-financial incentive of recognition does not have as extensive a theoretical foundation as that of money, it is argued, that the conceptual differentiation between recognition and social recognition is important. Recognition in the application literature usually refers to formal programs such as employee of the month or top sales awards (Nelson, 2001). Social recognition, however, refers to the more informal acknowledgment, attention, praise, approval, or genuine appreciation for work well done from one individual or group to another (Haynes, Pine, & Fitch, 1982; Luthans & Stajkovic, 2000).

Although social recognition has been given relatively less attention than formal recognition in the practitioner literature, considerable research has shown that if social recognition is provided on a contingent basis in managing employee behavior, it can be a powerful incentive motivator for performance improvement (Stajkovic & Luthans, 1997, 2001, 2003). In addition, practicing managers do seem to value social recognition as an incentive, even though this finding has been neglected in the literature. A survey by Nelson (2001), ninety percent of managers felt that informal recognition helped to better motivate employees, and eighty four percent believed providing non-financial recognition to employees when they do good work helps to increase their performance.

As to the non-financial incentive of performance feedback, although conceptually and practically closely related to social recognition, in behavioral performance management it has precise meaning. Performance feedback is defined as providing quantitative or qualitative information on past performance for the purpose of changing or maintaining performance in specific ways (Prue & Fairbank, 1981). Thus, a true feedback intervention in behavioral management conveys more task-relevant information to employees than does social recognition, instead of social recognition conveying task-related information, it primarily gains power from the recipient's expectation that receiving acknowledgment or appreciation may lead to more tangible rewards down the road and it often fails to guide future performance efforts (Stajkovic & Luthans, 2001).

### 1.1.2 Employee Job Performance

Employee job Performance in a firm is a very important area in the workplace. It can help the firm increase and utilize the capacity of the human resources it has. It translates into good service delivery and interaction in which affects every area of the organization(Khan,2013). To achieve this, organization need to make polices that will encourage employee performance. An employee's job performance depends on or is a consequence of some combination of ability, effort, and opportunity. But, the measurements can be done in terms of outcomes or results produced (Ferris 1998). Performance is defined as the record of outcomes produced on a specified job function or activity during a specified time period. (Bernadrdin & Russel, 1998).

According to Ferris (1998), performance is set of outcomes produced during a certain time period. Hence the researchers have developed the working definition of employee performance for study purpose as, "achievement of targets of the tasks assigned to employees within particular period of time". Performance is not only related to the action but also involves judgment and evaluation process (Ilgen & Schneider, 1991). The general believe is that employees will not perform to the best of their ability unless they are motivated to do so. Various researchers have come up with various ways to motivate people at work. However, because human beings are different from one another in terms of needs, culture, religion, so does what motivate them also varies. Some employees are motivated by financial incentives and some non-financial incentives (Locke, 1976).

Spector (1997) contends that financial incentives can be diverse while having a similar effect on employees. The purpose of financial incentives is to reward employees for excellent job performance through money. Research shows that desired financial incentives differ for employees based on career stage and generation. Since human resource is the most valuable resource of any organization, they should activate, train, develop and above all motivate in order to achieve individual and organizational goals (Komaki, 1996).

### 1.1.3 Equity Bank and the Performance of Employees

Equity bank was founded as Equity Building Society (EBS) in October 1984 and was originally a provider of mortgage financing for the majority of customers who fell into the low income population. Around the early 1990, Equity was facing serious financial challenges and had been declared technically insolvent by central bank (Jenkins,1990). It was around this time that the bank implemented a series of changes in its management as well as changes in its strategic direction. Within no time, Equity bank rapidly transformed into a fast growing microfinance institution and later becoming a leading commercial bank in Kenya. By 2012, Equity Bank had more than 8 million customers making it the largest bank in terms of customer base in Africa and having nearly half of bank accounts in Kenya with 176 branches (Komaki, 2012).

Equity Bank's business model and its visionary leadership has continued to earn local, regional and global accolades and recognitions and its model is also studied in some of the leading business schools in the world. Equity Bank Limited being one of the biggest banking industry player currently in Kenya with subsidiaries in Kenya, Uganda, South Sudan, Rwanda and Tanzania it has seen its human manpower growing tremendously (Komaki, 2012). The bank did this by adopting competitive strategies that would see it tap markets that had previously been ignored.

Equity Bank's business model is anchored on access, convenience and flexibility that has enabled the Bank to evolve to become an all inclusive financial services provider with a growing pan African footprint (Kohn, 2013). Just like any long standing organization, Equity bank is faced with the problem of developing and sustaining staff. With 9000 employees last year, Equity bank staff number declined by 660 which was attributed to natural attrition and pointing to a gloomy job market in the financial sector(Jenkins, 2016).

The organization faces challenges in retaining employees due to limited opportunities for advancement and the current competitive labour market. The loss of employees represent a loss of skills, knowledge and experiences which can create a significant economic impact and cost to corporations as well as impacting the needs of customers. Employees will perform to the best of their ability if they are motivated to do so. Mullins (2005), effectively motivating employees is one of the most important functions of a manager. Managers who can motivate employees assist the organization by improving employee retention (Khan, 2013). The performance of an employee depends on the strength of motivation scheme available.

### 1.2 Statement of the Problem

The success of every institution depends on the quality and commitment of its human resources. In order to ensure continued efficiency and effectiveness of employees, an organization must provide incentives to motivate and retain its employees. The performance of an employee depends on the strength of incentive schemes used in an institution (Fineganj & Shamain, 2001). In the rapid development of financial markets, commercial banks with Equity bank being one faces intense competition and various challenges against the financial and non-financial incentives that already exist.

On July 2013, central bank noted that while banks had procedures in place to design and approve incentives schemes, they failed to recognize and mitigate inherent risks in incentives arrangements. The guide lines states that high standards need to be set by banks with appropriate incentives scheme framework (Jenkins, 2004). Equity bank found itself at the receiving end when it began losing good employees to the competition. This was attributed to the inadequate financial and non-financial incentives in place. The traditional financial and non-financial systems in place appeared to be inadequate to meet the employee's needs. This demonstrated that the financial and non-financial incentives in Equity bank need to be addressed urgently and adequately in order to reap its benefit in enhancing employee performance and consequently improves employee productivity (Alwabel, 2005).

This study intends to find out whether the incentives offered at Equity bank will increase employee job performance and assist the organization achieve its goals. It is generally believed that the effect of financial incentives is unambiguously positive and large financial incentive improves employee performance (Baker, Jensen, & Murphy, (2008). The psychological literature on employee motivation states that motivational incentives can produce better employee performance (Dixit, 2002). In essence, few of these studies are supported by an explanation of how incentives in work place affect employee performance (Torrington, 2008). This study, therefore investigated the influence of financial and non financial incentives on employees' job performance at equity bank.

### 1.3 Objectives of the Study

#### 1.3.1 General Objective of the Study

The general objective of this study was to establish the influence of financial and non-financial incentives on employee's job performance at Equity Bank Limited, Mt. Kenya Region.

#### 1.3.2 Specific Objectives

The following are the specific objectives of the study:

(i) To establish the influence of compensation on employee job performance at Equity Bank, Mt. Kenya Region.

(ii) To determine the influence of incentives on employee job performance at Equity Bank, Mt. Kenya Region.

(iii) To assess the influence of working conditions on employee job performance at Equity Bank, Mt. Kenya Region.

(iv) To determine the influence of recognition on employee job performance at Equity Bank, Mt. Kenya Region.

## 1.4 Research Questions

The study sought to answer the following research questions

(i) To what extent does compensation influence employee job performance at Equity Bank, Mt. Kenya Region?

(ii) What is the influence of incentives on employee job performance at Equity Bank, Mt. Kenya Region?

(iii) What is the influence of working conditions on employee job performance at Equity Bank, Mt. Kenya Region?

(iv) What is the influence of recognition on employee job performance at Equity Bank, Mt. Kenya Region?

## 1.5 Significance of the Study

The research is unique since not so much has been done in this area of study. The need to carry out this research can be an effective tool if used in a constructive and motivating manner. The findings of this study will be important in formulation of better incentives systems for employees in general and enhance the achievement of the organization goals. It will sensitize the management to improve on the incentives offered to motivate its employee. The study will also add up to the existing literature that can be reviewed in subsequent studies. The study also forms a base for other scholars who may be interested and who may want to advance on factors affecting job performance.

### 1.6 Scope of the Study

The study was carried out at Equity bank Mt. Kenya Region. The region has 19 branches with at least 1311 number of employees. The study focused on the branches within Nyeri, Kirinyaga, Murang'a and Meru County. The study involved the employees from the different departments at Equity bank. The managers of the different departments were also involved in the study. The scope focused on the influence of compensation, incentives, working condition and recognition on job performance. The study was undertaken between the months of July 2016 to May,2017.

### 1.7 Limitations of the Study

According to Mugenda and Mugenda (2003), a limitation is an aspect of a research that may negatively affect the results but over which the researcher has no control. The study was faced with challenges of varied attitude and perception from the affected responses which had an influence on the study. The respondents were not willing to open up and share the required information and their leadership experience due to negative publicity and perception. The study depended on the co-operation of respondents. To ensure that this does not affect the study, the researcher appealed to them to be frank with an assurance that their identities would not be disclosed and their responses were to be treated with confidentially and was only used for academic. The busy schedule of employees inconvenienced them leaving them with very little time to be interviewed and look for requested data. To ensure that this does not affect the study, the researcher booked appointment with the respondents to avoid any disappointments.

### 1.8 Organization of the Study

The study is organized into five chapters; chapter one highlights the background and statement of the problem, objectives of the study, significance of the study, limitations of the study, and definitions of significant terms of the study. Chapter two focuses on review of relevant literature which presents the theoretical framework and a review of the literature review related to the study. The chapter is organized in the following sections; theoretical review, empirical review, summary of literature review and research gaps and lastly the conceptual framework. Chapter three describes the research methodology used which include the sample and sampling techniques, research instrument, instrument validity and reliability, data collection procedures and data analysis techniques. Chapter four shows data analysis, presentation of the data in forms of charts and tables and interpretation of the data while chapter five gives the summary of the findings and gives recommendations of the study.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Introduction

The chapter presents the theoretical framework and a review of the literature review related to the study. It is organized in the following sections; theoretical review, empirical review, summary of literature review and research gaps and lastly the conceptual framework.

## 2.2 Theoretical Review

This section presents the theories that are applied to the study. The theories include Maslow's hierarchy of needs and Motivational Theories and the Herzberg’s two factor theory.

### 2.2.1 Maslow's Hierarchy of Needs and Motivational Theories

The study was hinged on Maslow hierarchy of needs and motivational theories. Maslow's hierarchy of needs is a theory in psychology anticipated by Abraham Maslow in his 1943 paper "A Theory of Human Motivation" (McNamara, 2005). Maslow consequently extended the idea to include his observations of humans' innate curiosity, over the years researches and authors has tend to criticizes the theory as being irrelevant in most part of the world. Contrary to such assertion, Maslow’s hierarchy of needs theory remains relevant in every sector of our business today as its best analyzes below Maslow’s hierarchy of needs where the lower order needs (physiological and safety needs) may be linked to organizational culture (Sansone & Harackiewicz, 2009).

Every organization passes through this lower order stage in which they struggle with their basic survival needs. At the third level of the Maslow’s hierarchy, social needs would correspond to the formation of organized roles within the organization into distinct units, depicting the human resource management function which resonates according to the tone set by organizational culture. The positive interaction of organizational culture and human resource management would result in self-esteem and self-actualization. This is manifested through the employees' performance which showcases the strength and reliability of their organization in the face of competitors (Torrington, 2011). It also implies that the organization through its employees has excelled and met their objectives, mission and vision statement as a stage that can be considered parallel to self-actualization. Abraham Harold Maslow proposed a theory that outlined five hierarchical needs which could also be applied to an organization and its employees' performance (Gordon, 1965). According to Maslow's theory, one does not feel the second need until the demands of the first have been satisfied or the third until the second has been satisfied, and so on.

Organization benefits can also play a large role in an employee's satisfaction and performance (Ali & Ahmed, 2009). Some organizations offer bonuses or extra benefits to certain employees who make the effort to improve their performance. These sorts of ancillary benefits can stimulate an employee to take on new opportunities to improve themselves and, as a result, improve his or her performance in their current position. It can also set his or her career path in a better direction, for future growth and promotion (McNamara, 2005).

The method an organization chooses for performance reviews and evaluations can have the biggest effect on employee job performance. Organizations that fail to review their employee's performance or recognize a job well done may soon find disgruntled employees. Furthermore, organizations that stringently monitor employee work without providing employees the opportunity to provide feedback may also result in non-motivated employees (Cardy & Selvarajan, 2004). The performance reviews to keep employees motivated and performing well include periodic, regular, honest and objective feedback to the employee (Collins 1998, and Cooper, 1998). However, the organization should also have some mechanisms in place for the employee to give feedback about ways the organization could also improve itself and make itself a better place to work. Allowing open communication in both directions will keep the employees more satisfied with their performance review and happier with the compensation level in relation to their work. The theory is suitable for this study since the employees need to have their needs addressed so that they are motivated and hence improved performance (Avadhesh & Diwinder, 2015).

Graham (1998) and Armstrong, (2006) expounds on Maslow's motivational theory which categorizes human needs: Physiological Graham (1998) states that in the work environment, the fundamental purpose of a wage or salary is to provide the means of satisfying basic needs. Security or safety needs, the need for protection against danger and the deprivation of physiological needs, work environment, the wish for security of tenure, the existence of restrictive practices and many aspects of Trade unionism, all such show how employees try to satisfy needs of this kind. Social needs the need for love, affection, and acceptance as belonging to a group. Esteem or ego needs a position of authority, company car, an office carpet, or special type of overall. Self –actualization or fulfillment is the need to develop potentialities and skills or become what one believes one is capable of becoming. It involves skilled operation, professional workers and managers Graham (1998) and Armstrong (2006).

Armstrong (2006) the hierarchy of needs reveals that people tend to satisfy their needs in a certain order of precedence, for instance a manager who receives a substantial salary and thus adequately satisfy lower needs regards status symbols like a well furnished offices, but a former manager who has been unemployed for a long time will eventually take any available job that brings a reasonable income, even though it is of low status. Armstrong, puts it in different words, that when a lower need is satisfied, the next highest becomes dominant and the individuals attention is turned to satisfying this higher need, an indication that the need for self-fulfillment however can never be satisfied, referring man as a wanting animal. The theory in suitable for the study since financial and non-financial incentives serve as motivation in an organisation and which has an influence on employees performance (Armstrong, 2006).

### 2.2.2 Herzberg's Two Factor Theory

Frederick Herzberg developed that employees are motivated by both intrinsic and extrinsic rewards (Herzberg, 1957). For this to be effective, the reward system must recognize both source of motivation. In this regard, the rewards are based on assumption of attracting, retaining and motivating people (Herzberg, 1957). Financial rewards are an important component of the reward system but there are other factors that motivate employees and influence the level of performance. Herzberg (1957) proposed that employees are influenced or driven to work by two factors (motivators and hygiene factors). Herzberg's considered the hygiene needs to be policy, relationships with the supervisors, good work conditions good salary, security and personal life. Hygiene factors ensures that employees do not become dissatisfied but at the same time does not lead to high motivation, but without them; motivators cannot achieve their goal since the employees will be dissatisfied. Hygiene factors involve the process of providing rewards or threats of punishment to cause someone to do something.

Herzberg research identified that true motivator were rather completely different factors notably achievement, recognition, work itself, responsibility and advancement (Herzberg, 1957). Motivator factors are needed to drive an employee into higher performance. These factors result from internal generators in employees. As stated in Value based Management (2008) a combination of the two factors results in four scenarios which are important in the relationship between employee motivation and rewards. The theory is applicable to the study since financial and non-financial rewards are an important component of the reward system but there are other factors that motivate employees and influence the level of performance.

## 2.3 Empirical Review

This section presents the empirical review of the study. The empirical review is based on the objectives of the study which are; compensation, incentives, working condition and recognition.

### 2.3.1 Influence of Compensation on Employee's Job Performance

Compensation is output and the benefit that employee receive in the form of pay, wages and also same as rewards like monetary exchange for the employee's to increases the performance (Holt, 1993). Compensation is the segment of transition between the employee and the owner that the outcomes employee contract. From the employee prospective one of the most important part of cash flow, compensation is mostly equal to half of cash flow of the companies. In the service sector it is more than half and it is the major attribute to attract the employee and motivate employee to increase the performance (Ivanceikh & Glueck, 1989).

The value of employee compensation and benefits packages has increased the performance and satisfaction to the human resource. The perception of employee about the organization benefits policy and pay is tied to employee quality performance and quantity of work done (Ivancevch & Glueck, 1989). Organization that pay directly influences employee voluntary turnover as most employees compare their pay to that available in other organization (Henman, 2013). People staying or leaving the company is more a reason that they are satisfied with their job promotional opportunity and work environment (Mitchall, 2012).

Reward can generate an important role for employee performance (Akerale, 2013). The success of any organization is based on providing good rewards and compensation to the employees for hard work and this in return will increase their creativity (Mark & Ford 2001). The importance of motivating employees by compensating them is more than enough in an organizations context and motivated employee are highly productive, more efficiency providing and willing to performing (Hurtreatal, 2012; Entwested 2011). Reward is the most important element to eliminate employee for paying their best efforts to generate the innovation and the new ideas to increase the company performance. Dee Prose (2014) says that compensation of employee enhances performance and provide satisfaction.

### 2.3.2 Influence of Incentives on Employee Job Performance

Incentives can be anything available that is offered with an intention to influence the willingness of employees to exert and maintain an effort toward attaining organizational goals (Mathauer & Imhoff, 2006). Incentives are generally developed to generate employee motivation, satisfaction, and greater performance (Adam & Hicks, 2000). The link between the three variables has been widely discussed and debated among the researchers, scholars and practitioners. Lawler (2013), argue that the effectiveness of incentives for reaching higher behavioral outcomes of employees is based on the degree to which those incentives are perceived to fulfill or satisfy their needs. If the employee overwhelmingly desires job autonomy and perceives the amount of money or benefits are likely to satisfy this need, then the payment is likely to motivate them to perform the job. Since employees' satisfaction could be both the cause and outcome of overall performance, organizations should demonstrate the link between reward and performance in order to motivate employees (Latham, 2007). Latham also suggests that if there is no link between employee performance and satisfaction or there is a negative one, then the organization clearly has an ineffective system of incentives. In addition, with an effective incentive, employees could gain several social and psychological benefits as a result of improving their purchasing power to satisfy their needs of goods and services (Al-Jahni, 1998). Therefore, it can be concluded that incentives have great potential for improving employee work performance and increasing production efficiency through encouraging individuals or groups to act in a desired and productive way (Eisenbegal, 2012).

Incentives have been used as a guideline to show employees what the organization wants to achieve and what they value and prioritize as important toward their jobs. Second, incentives can be used as an effective tool to attract the desired, competent people into the organization, because people that value this form of attraction will be drawn to work there rather than people that are only seeking steady benefit. A third reason is the general belief that incentives can be used to motivate employees to work harder, to make an extra effort in order to achieve the organizational goal (Merchant & Van der Stede, 2007). Even when individuals have acquired a strong capacity, skills and knowledge, these do not always transform into enhanced quality of job performance. According to Kamoche (1997), the problem lies not in the lack of skills, but the lack of strong incentives to use these skills optimally.

### 2.3.3 Working Conditions and Employees Job Performance

Working condition refers to working environment and all existing circumstance affecting labor in the work place, including job hours, physical aspects, legal rights and responsibility, organizational climate and workload (Russell, O'Connell, & McGinnity, 2009). If the employees have negative perception of their working conditions, they are likely to be absent, have stress related illness, and their performance and commitment tend to be low. On the other hand, organizations those that have a friendly, trusting, and save environment, experience, greater performance, communication, creativity, and financial health (Kreisler, 2009). Gerber (1998), states that working conditions are created by the interaction of employee with their organizational climate, and includes psychological as well as physical working conditions.

Firms that derive their performance advantage from firm-specific knowledge may wish to provide better working conditions in the hope that this would reduce worker turnover and minimize the risk of their performance advantage spilling over to competing firms Glass and Saggi (2002). As stated by Gariety and Shaffer (2001), if non-monetary, working conditions are associated with higher performance, the employer should pay more for the added performance of employees in order to not losing the employees. Elywood (1999), says that working conditions contributes either positively or negatively to achieving maximum employees' performance. The factors that contribute either positively or negatively to employee performance are temperature, humidity and air flow, noise, lighting, employee personal aspects, contaminants and hazards in the working environment, types of sub environment. Yesufu (1984), the nature of the physical condition under which employees work is important to output. Offices and factories that are too hot and ill ventilated are debilitating to effort. There should be enough supply of good protective clothing, drinking water, rest rooms, toilets and first aids facilities. Bornstein (2007) states that in organizations where employees are exposed to stressful working conditions, performance are negatively influenced and that there is a negative impact on the delivery of service.

### 2.3.4 Recognition and Employees Job Performance

Employees are an organizations largest assets. Employees don't only want a good salary and benefit package, they also want to be valued and appreciated for their work. Employees believe in fair treatment, and respect (Ali & Ahmed, 2009). They want the opportunity for advancement and involvement in the organization. A recognition program can help employers meet their organizational goals by helping attract and retain high-performing employees. In 2003 National Association for Employee Recognition, World at Work-study (Daniel & Metcalf, 2005) it was reported that companies are aligning their employee recognition programs directly to the strategies of the organization. The impact of ongoing recognition is that when you recognize someone right away, it is fresh in his or her mind (Daniel & Metcalf, 2005).

Flynn (2008) argued that recognition programs keep high spirits among employees, boosts up their morale and create a linkage between performance and motivation of the employees. The basic purpose of recognition and reward program is to define a system to pay and communicate it to the employees so that they can link their reward to their performance which ultimately leads to employee's job satisfaction. Where job satisfaction, as defined by (Gruneberg, 2009), is a pleasurable positive emotional state that is as a result of work appraisal from one's job experiences. The rewards include the financial rewards, pay and benefits, promotions and incentives that satisfy employees to some extent but for committed employees, recognition must be given to keep them motivated, appreciated and committed (Flynn, 2008).

Baron (1983) argued that when we recognize and acknowledge the employees in terms of their identification, their working capacity and performance is very high. Recognition today is highest need according to most of the experts whereas a reward which includes all the monetary and compensative benefits cannot be the sole motivator for employees' motivation program (Latham, 2007). Employees are motivated fully when their needs are met. The level of motivation of employees increases when employees get an unexpected increase in recognition, praise and pay (La Motta, 1995). Employees' relation with employees and with supervisor is a key ingredient of the inner strength of the organization. The ability of supervisors to provide strong leadership has an effect on job satisfaction of employees (Morris, 2004). The study relates how the impact of incentives, rewards and recognition programs drives employee job performance.

Recognition plays a vital role in determining the significant performance in job and it is positively associated with the process of motivation. Lawler (2003) argued that there are two factors which determine how much a reward is attractive, first is the amount of reward which is given and the second is the weightage an individual gives to a certain reward. Deeprose (2004) is of the view that good managers recognize people by doing things that acknowledge their accomplishments and they reward people by giving them something tangible. Fair chances of promotion according to employee's ability and skills make employee more loyal to their work and become a source of pertinent workability for the employee. Bull (2005) posits a view that when employees experience success in mentally challenging occupations which allows them to exercise their skills and abilities, they experience greater levels of job satisfaction. Robbins (2001) asserts that promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing. Similarly, the recognition which is a central point towards employee motivation adores an employee through appreciation and assigns a status at individual level in addition to being an employee of the organization. Barton (2002) argued that the factor in Fortune best companies which discriminates companies from the others is recognition that is the most important factor of their reward system. Wilson (1994), stated that the conditional recognition is that type of recognition which one has to earn by his own efforts and which is gained by some sense of achievement of an action or result.

## 2.4 Summary of Literature Review and Research Gaps

Despite the high rate of competition in the market today, a great number of large organizations may not have accepted the importance of offering competitive incentives and accordingly to improve on employee performance. Al-Jahni (1998) states incentives have great potential for improving employee work performance and increasing production efficiency through encouraging individuals or groups to act in a desired and productive way while Kamoche (1997) found that the problem lies not in the lack of skills, but the lack of strong incentives to use these skills optimally, incentives are used not only as an essential tool in an attempt to build and enhance human capacities, but also serve as a core part of the ongoing process (Morgan & Baser 2007). This calls for a review of the incentives offered by the management and improves them in order to improve employee efficiency. A less supportive perspective of the incentives offered has been highlighted as a main cause for poor performance. For Instance, Bornstein (2007) states that infrequent incentives review will yield to, poor performance, employee's turnover, less innovation and employee demotivation. According to Ali and Ahmed (2009) with considerable industry evidence, many organizations and their management still do not regard incentives as an influence to the employee's job performance. Overall, there has been minimal recognition and understanding of the power of offering incentives whether financial or non-financial towards an organization achieving its goals and objectives and most important on the employee job performance.

## 2.5 Conceptual Framework

A conceptual framework is a network of interlinked concepts that provide a comprehensive understanding of a phenomenon that describes the relationship between an independent variable and dependent variable as shown in the figure 2.1.

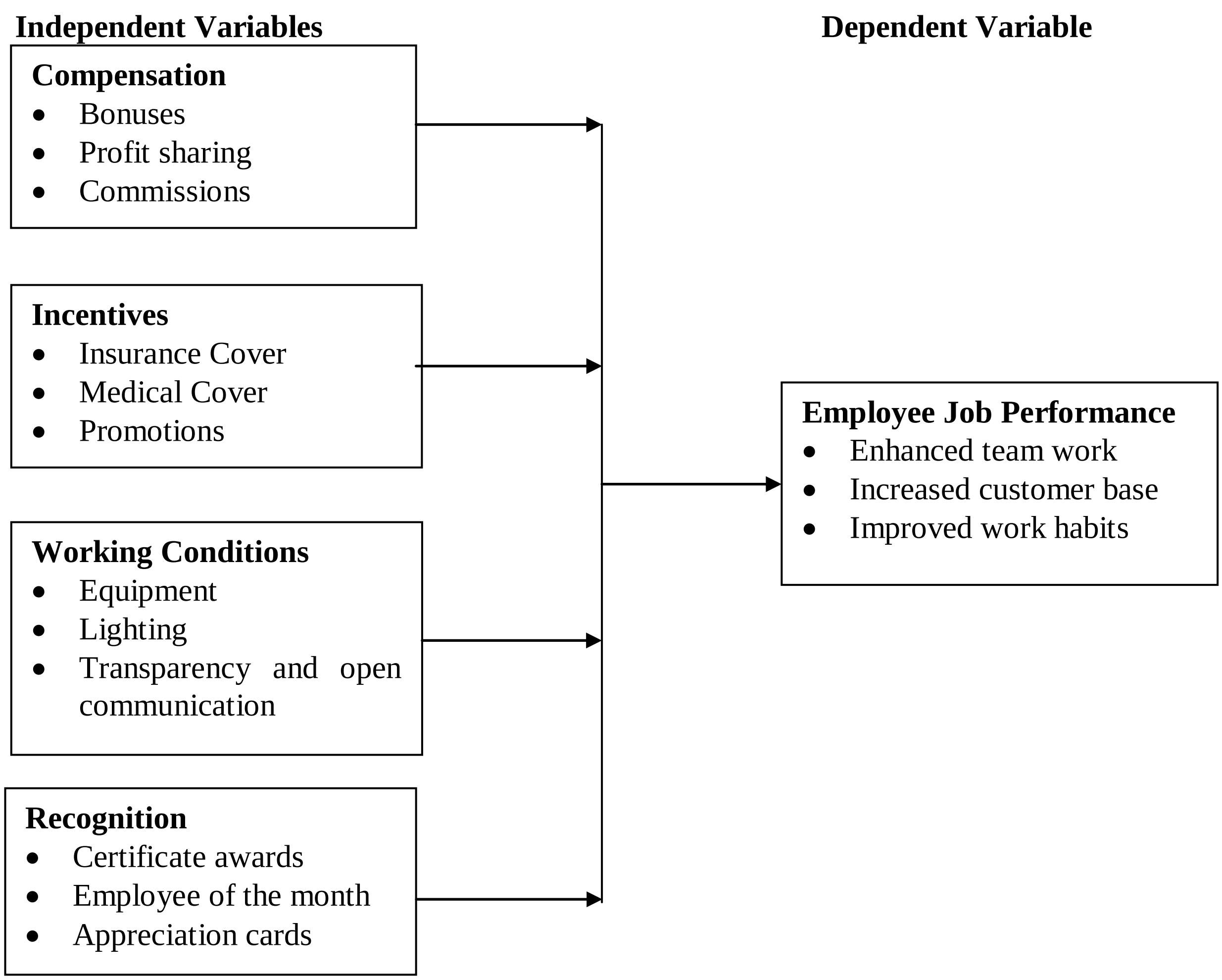


**Figure 2.1.The Conceptual Framework**

**Source: Author (2017)**

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1Introduction

This chapter presents the procedure that was used in conducting the study. The section focuses on research design, target population, sample and sampling procedures, research instruments, validity of the instruments, reliability of the instruments, data collection procedures and data analysis techniques and ethical considerations.

## 3.2Research Design

The study adopted the descriptive research design. Description survey designs was used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification. Borg and Gall, (2000) note that descriptive survey research is intended to produce statistical information about aspects of education that interest policy makers and educators. The justification for using the descriptive survey design is because, it was possible to measure the independent variables using questionnaires and relate them to the dependent variable which is the employee job performance. The survey design enabled the researcher to collect data without manipulating the variables.

## 3.3Target Population

Mugenda and Mugenda (2003) define target population as an entire group of individuals,' events or objects having common characteristics. It is the sum total of all that conforms to a given specifications. The target population comprised of 447 Equity bank employees in Mt. Kenya region

## 3.4Sample Size and Sampling Procedures

According to Mugenda and Mugenda (2003), a sample is a smaller group obtained from the accessible population. Orodho (2009), states that, where the target population is above 30, 10 to 30 percent may be sampled. In this study the research took 30% of the employees which means, 134 employees were selected. To select them, the number was divided by the number of branches in the region and selected by use of simple random sampling. Using the simple random sampling the researcher randomly picked the employees required for the study. The researcher also selected a few respondents from the management of different branches in the target region. Mugenda and Mugenda (2003) in stratified sampling, the subjects are selected in a such a way that the existing sub groups in the population are more or less reproduced in the sample.

## 3.5 Data Collection

### 3.5.1 Research Instruments

The researcher relied on self-administered questionnaires. A questionnaire is a research instrument that gathers data over a large sample (Kombo & Tromp, 2006). The advantages of using questionnaires are that the person administering the instrument has an opportunity to establish rapport, explain the purpose of the study and explain the meaning of items that may not be clear. There was one set of questionnaire which was designed for the employees.

## 3.6 Pilot Testing

A pilot test was conducted before the actual data collection to establish the validity and reliability of the instruments.

### 3.6.1 Validity of the Instruments

Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research result (Mugenda & Mugenda, 2003) Validity according to Borg and Gall (1989) is the degree to which a test measures what it purports to measure. The pilot study will help to improve face validity and content of the instruments. Content validity on the other hand was used by the researcher to check whether the items in the questionnaire answer the research the objectives. The supervisors who are experts in the area of study validated the instruments. The researcher implemented the suggestions given by the supervisors.

### 3.6.2 Reliability of the Instrument

Mugenda and Mugenda (1999) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated tests when administered a number of times. To enhance the reliability of the instrument, a pre- test was conducted to respondents. The procedure for extracting an estimate of reliability was obtained from the administration of test-retest reliability method which involved administering the same instrument twice to the same group of subject with a two weeks' time lapse between the first and second test.

A Pearson's product moment correlation coefficient formula was used.

$$r = \frac{N\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{[N\Sigma(x)^2 - (\Sigma x^2)][N\Sigma(y)^2 - (\Sigma y)^2}}$$

Where r–is the pearson's correlation coefficient

∑x-is the sum of scores in x distribution

$\sum y$-is the sum of scores in y distribution

$x^2$–the sum of square scores of x distribution

$y^2$– is the sum of square scores of y distribution

$\sum xy$-is the sum of the product of paired x and y

scores n -is the number of paired x and y scores

The reliability test revealed a coefficient of 0.721.

According to Mugenda and Mugenda (2003) a coefficient of 0.70 or more showed that there is high reliability of data and hence deemed appropriate.

**3.7 Data Collection Procedures**

The researcher sought for a research permit from the National Commission for Science, Technology and Innovation (NACOSTI) and permissions sought from the Equity Bank Head office and thereafter write letters to the branch managers to be allowed to do the study. The selected branches were visited and the questionnaires administered to the respondents. The respondents were assured that strict confidentiality will be maintained in dealing with the identities. The completed questionnaires were collected immediately.

**3.8 Data Analysis Techniques**

The researcher used Statistical Package for Social Sciences (SPSS) version 17.0. The data analysis was based on the research questions. Data on the questionnaires was edited by inspecting the data pieces before coding them. The process helped in identifying those items which were wrongly responded to, spelling mistakes and blank spaces left by the respondents. The data was coded to facilitate data entry into the computer to allow for statistical analysis. Descriptive statistics such as frequencies, percentages were used to summarize the data. Pearson's correlation coefficient was used to establish the relationship between the independent and dependent variables.

### 3.9 Ethical Considerations

In adhering to the ethical issues, the researcher was safeguarded against doing anything that will harm the participants in the study. The researcher also sought permission from the participants to have them participate in the study. The researcher made sure that participants were informed, to the extent possible, about the nature of the study. It was the responsibility of the researcher to interpret the data and present evidence so that others can decide to what extent interpretation is believable. Iinformed consent allows the respondents to choose to participate or not according to Kombo and Tromp (2006). Confidentiality and anonymity were achieved by not asking participants to write their names on the questionnaires.

# CHAPTER FOUR

# DATA ANALYSIS AND INTERPRETATION

## 4.1 Introduction

This chapter presents the data analysis, findings and interpretation. The chapter presents the response rate, demographic information of the respondents and analysis of data based on the research objectives of the study. The analysis focusses on the effect of compensation, incentives, working conditions and recognition on employee job performance a case study of Equity Bank, Mt. Kenya Region.

## 4.2 Response Rate

Response rate is the proportion of the questionnaires of the data collection tools that are returned after being administered to the respondents. In this study, out of 134 respondents who were issued with the questionnaires, 114 filled and returned them. This represented 85.1 percent response and hence was deemed adequate for analysis (luthan,2007). The high response rate could be attributed to the fact that the research delivered the questionnaires herself to the respondents, supervised the filling in and picked them immediately they had been filled up on the same day. That ensured that almost all the respondents were able to have them filled up.

## 4.3 Demographic Information

### 4.3.1 Distribution of the Respondents by Gender

The respondents were asked to indicate their gender. The gender distribution is presented by Figure 4.1.

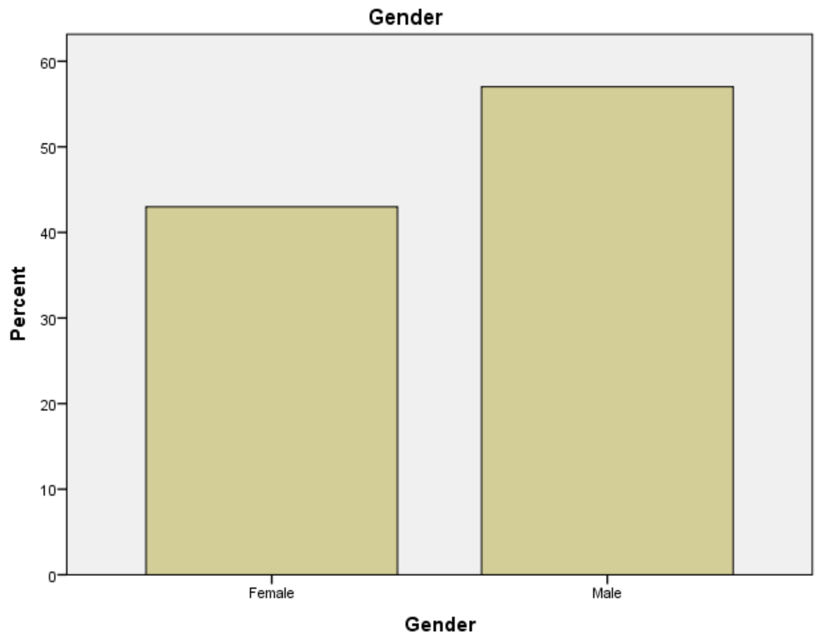


**Figure 4.1 Distribution of respondents by gender**

**Source: Survey Research (2007)**

Data presented in Figure 4.1 shows that 49(43%) respondents were female while 65(57%) were male. The findings implies that there was a third representation of the female gender hence the two thirds of either gender representation policy is respected among the employees in Equity bank.

### 4.3.2 Distribution of the Respondents by Age

The respondents were also asked to indicate their age. Figure 4.2 presents the distribution of the respondents by age.

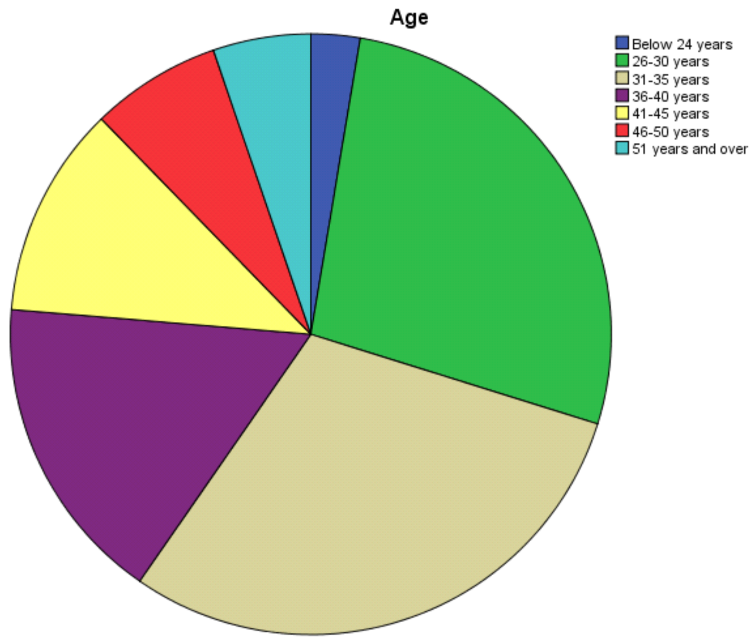


**Figure 4.2 Distribution of Respondents by Age**

**Source: Survey Research (2007)**

According to data presented in Figure 4.2, 3(2.6%) of the respondents were below 24 years of age, 31(27.2%) were aged between 26 and 30 years, 34(29.8%) were aged between 31 and 35 years, 19(16.7%) were aged between 36 and 40 years, 13(11.4%) were aged between41 and 45 years, 8(7%) were aged between 46 and 50 years while 6(5.3%) were 51 years of age. The findings shows that the employees at the Bank were relatively young (below 40 years) and hence could have been newly employed in the banks. The findings imply that these employees are able to explain how financial and non-financial incentives could influence their employee's job performance.

### 4.3.3 Distribution of Respondents by Education Qualification

The respondents were asked to indicate their highest education qualification. The results of their responses is as presented by Figure 4.3.

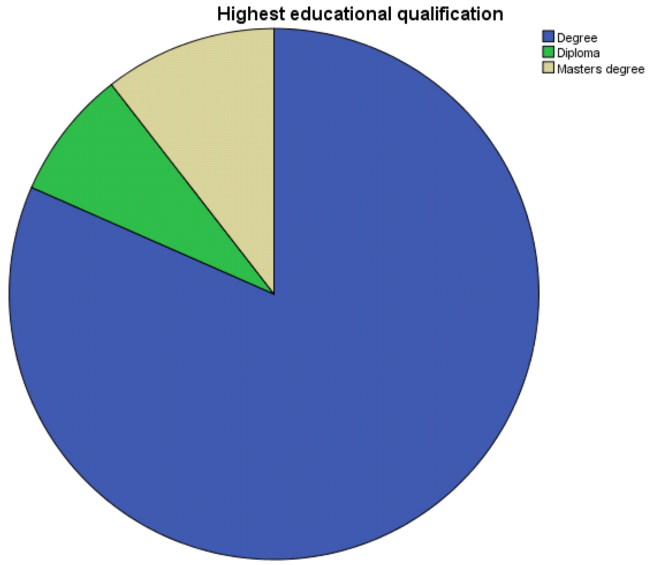


**Figure 4.3 Distribution of Respondents by Education Qualifications**

**Source: Survey Research (2017)**

Data on highest education qualifications revealed that 93(81.6%) of the respondents were degree holders, 9(7.9%) had diploma while 12(10.5%) were holders of master's degree. This data clearly reveals that a minimum qualification of diploma is essential for one to be an equity employee. The findings implies that the bank hired people with high educational qualifications and hence these are people who are able to explain how financial and non-financial incentives could influence their employee's job performance.

### 4.3.4 Distribution of Respondents by Working Experience in the Banking Sectors

The researcher sought to establish the working experience of the respondents in the banking sector. An analysis of working experience is presented by Figure 4.4.

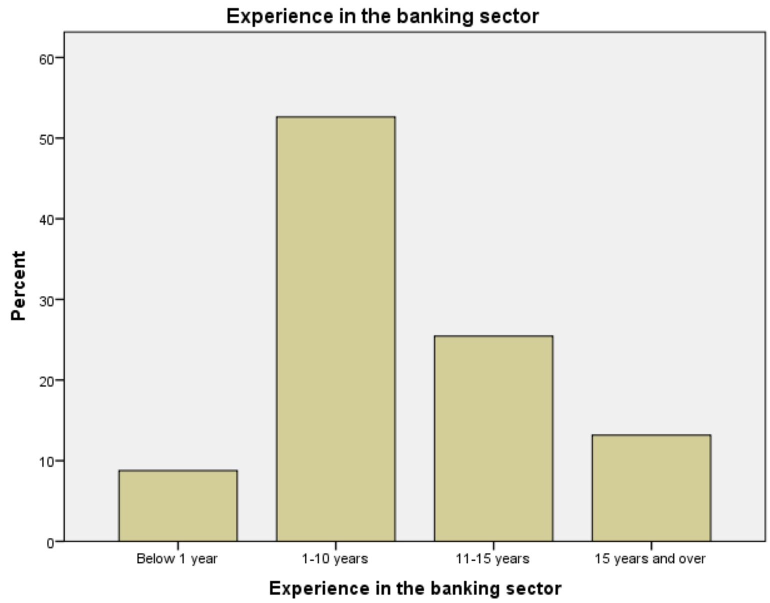


**Figure 4.4 Distribution of Respondents by working experience**

**Source: Survey Research (2007)**

Graphical presentation of working experience in the Figure 4.4 shows that 10(8.8%) of the employees had been in the banking sector for below one year, 60(52.6%) for between 1 and 10 years, 29(25.4%) were aged between 11 and 15 years while 15(13.2%) had been in the banking sector for more than 15 years. The findings shows that majority of the respondents had a considerable long working experience in the banking sector. The data implies that a long experience in the banking sectors that the employees have worked in different banks and hence are aware of financial and non-financial incentives could influence their employee's job performance.

### 4.3.5 Distribution of Respondents by the Duration they had been in the Current Bank

The study also sought to establish the duration that respondents had been in the current bank. The data is presented in Figure 4.5.

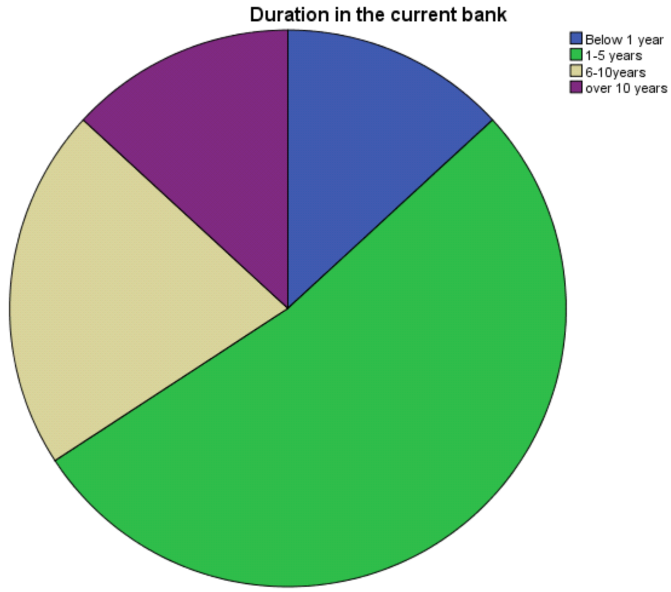


**Figure 4.5 Distribution of Respondents by Duration in the current bank**

**Source: Survey Research (2007)**

According to the data presented in Figure 4.5, 15(13.2%) had been in their current bank for below one year, 60(52.6%) for between 1 to 5 years, 24(21.1%) had been in their current bank for between 6 and 10 years while 15(13.2%) had been in their current bank for more than 15 years. The findings implies that the respondents had worked in the current bank for a relatively long duration of over 5 years and hence are able to explain the financial and non-financial incentives could influence their employee's job performance specifically to the Equity bank.

### 4.4 Effect of Compensation on Employee Job Performance

This section tends to find out how compensation affects employee job performance at Equity Bank, Mt. Kenya Region. The respondents were asked to indicate if they strongly agreed, agreed, disagreed or strongly disagreed to the statements as shown in Table 4.1.

**Table 4.1 Responses on the Effects of Compensation on Job Performance**

| **Statement** | **SD** | | **D** | | **A** | | **SA** | |
|---|---|---|---|---|---|---|---|---|
| | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| Employees are compensated with a salary at the end of the every month | 16 | 14.0 | 7 | 6.1 | 15 | 13.2 | 76 | 66.7 |
| The bank recognizes the important of paying salaries to its employees | 13 | 11.4 | 10 | 8.8 | 36 | 31.6 | 55 | 48.2 |
| Employees at Equity Bank are provided with allowances | 89 | 78.1 | 15 | 13.2 | 3 | 2.6 | 6 | 5.3 |
| Allowances are major factors that has improved employees job performance at Equity bank | 89 | 78.1 | 16 | 14.0 | 6 | 5.3 | 3 | 2.6 |
| Provision of commission has led to high employee job performance | 72 | 63.2 | 26 | 22.8 | 13 | 11.4 | 3 | 2.6 |
| The bank gives commissions to the employees who have done well | 63 | 55.3 | 29 | 25.4 | 15 | 13.2 | 7 | 6.1 |

**Source: Survey Research (2007)**

According to the Table 4.1, majority 76(66.7%) of the respondents strongly agreed that employees are compensated with a salary every month. Majority 55(48.2%) strongly agreed that the bank recognizes the importance of paying salaries to its employees. Majority 89(78.1%) of the respondents strongly disagreed that employees at equity bank are provide with allowances. Also majority 89(78.1%) of the respondents strongly disagreed that allowances are major factors that has improved employees job performance at Equity bank. Majority 72(63.2%) strongly disagreed that provision of commission has led to high employee job performance. Majority 63(55.3%) of the respondents strongly disagreed that the bank gives commissions to the employees who have done well. The data shows that salaries allowances and commissions were important monetary incentives in increasing employees' job performance. To establish the correlation between compensation and employee job performance at Equity bank, Pearson's correlation coefficient was carried out. The data is presented in Table 4.2

**Table 4.2 Pearson's Correlation between Compensation and Employee Job Performance**

| **Variables relationship** | | **Compensation** | **Job performance** |
|---|---|---|---|
| **Compensation** | Pearson Correlation | 1 | .774 ** |
| | Sig. (2-tailed) | | 000 |
| | N | 114 | 114 |
| **Job performance** | Pearson Correlation | .774 ** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 114 | 114 |

**Source: Survey Research (2007)**

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

As shown in Table 4.2, Pearson correlation analysis was conducted to examine whether there is a relationship between compensation and job performance. The results revealed that there was a significant and positive relationship between compensation and job performance ($r = .774$, $N = 114$). The high level of job performance was associated with compensation of the employees.

### 4.5 Effect of Incentives on Employee Job Performance

This study also sought to establish how non-monetary incentives such as favorable insurance cover, medical cover, bonus at the end of the year were important in increasing employees' job performance. The respondents were therefore asked to indicate the extent to which they agreed or disagreed with statements that sought to establish how favorable insurance cover, medical cover, bonus at the end of the year were important in increasing their job performance. They responded as shown in table 4.3

**Table 4.3 Responses on the Effects of Non-Monetary Incentives on Job Performance**

| Statement | SD | | D | | A | | SA | |
|---|---|---|---|---|---|---|---|---|
| | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| The bank has a favorable insurance cover for its employees | 21 | 18.4 | 13 | 11.4 | 58 | 50.9 | 22 | 19.3 |
| The bank provides insurance cover as an incentives for its employees hence increasing their job performance | 28 | 24.6 | 28 | 24.6 | 45 | 39.5 | 13 | 11.4 |
| Employees at this bank receive | 24 | 21.1 | 25 | 21.9 | 39 | 34.2 | 26 | 22.8 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| medical cover as an incentive | | | | | | | | |
| Employees job performance in the bank can be attributed to the medial cover they are given | 43 | 37.7 | 38 | 33.3 | 23 | 20.2 | 10 | 8.8 |
| The bank gives bonus at the end of the year to increase their job performance | 17 | 14.9 | 34 | 29.8 | 49 | 43.0 | 14 | 12.3 |
| The bank recognizes, the important of bonuses to its employees | 29 | 25.4 | 22 | 19.3 | 46 | 40.4 | 17 | 14.9 |

**Source: Survey Research (2007)**

According to Table 4.3, majority 58(50.9%) of the respondents agreed to that the bank has favorable insurance cover for its employees. Only 45(39.5%) agreed that the bank provides insurance cover as an incentive for its employees hence increasing their job performance. Only 39(34.2%) agreed that employees in their banks receive medical cover as an incentive. Only 43(37.7%) strongly disagreed that employees job performance in their bank can be attributed to the medical cover they are given. Only 49(43%) agreed that the bank gives bonuses at the end of the year to increase their job performance. Less than half 46(40.4%) agreed that the bank recognizes the important of bonuses to its employees. The data shows that respondents were in agreement that favorable insurance cover, medical cover, bonus at the end of the year were important in increasing employees' job performance. To establish the correlation between working conditions affect employees job performance at Equity Bank, Mt. Kenya region, Pearson's correlation coefficient was carried out. The data is presented in Table 4.4

**Table 4.4 Pearson's Correlation between Incentives and Employee Job Performance**

| Variables relationship | | Incentives | Job performance |
|---|---|---|---|
| **Incentives** | Pearson Correlation | 1 | .712 ** |
| | Sig. (2-tailed) | | 000 |
| | N | 114 | 114 |
| **Job performance** | Pearson Correlation | .712 ** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 114 | 114 |

**Source: Survey Research (2007)**

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

The results as presented in Table 4.4 revealed that there was a significant and positive relationship between incentives and job performance (r = .712, N = 114). The correlation was strong and positive relationship in both incentives and job performance. Levels of job performance were associated with incentives at Equity Bank, Mt. Kenya region.

### 4.6 Effect of Working Conditions on Employee Job Performance

This section tends to find out how working conditions affect employees job performance at Equity Bank, Mt. Kenya region. The respondents were asked to indicate if they strongly agreed, agreed, disagreed or strongly disagreed to the statements as shown in table 4.5.

**Table 4.5 Responses on the Effect of Working Conditions on Employee Job Performance**

| Statement | SD | D | A | SA |
|---|---|---|---|---|

| | F | % | F | % | F | % | F | % |
|---|---|---|---|---|---|---|---|---|
| Employees at the bank have the required working equipment | 9 | 7.9 | 22 | 19.3 | 52 | 45.6 | 31 | 27.2 |
| The bank always replaces or provides its workers with the required working equipment | 9 | 7.9 | 22 | 19.3 | 71 | 62.3 | 12 | 10.5 |
| | | | | | | | | |
| There is good relationship between the managers and the junior officers | 22 | 19.3 | 20 | 17.5 | 50 | 43.9 | 22 | 19.3 |
| There is good relation between the managers and the supervisors | 18 | 15.8 | 6 | 5.3 | 78 | 68.4 | 12 | 10.5 |
| Employee job performance can be attributed by the good supervision that is enhance | 22 | 19.3 | 19 | 16.7 | 50 | 43.9 | 23 | 20.2 |
| The bank has enough supervisors to head different departments | 12 | 10.5 | 15 | 13.2 | 49 | 43.0 | 38 | 33.3 |

**Source: Survey Research (2007)**

According to the table, 52(45.6%) of the respondents agreed to the statement that employees at the bank have the required working equipment. Majority 71(62.3%) agreed to the statement that the bank always replaces or provides its workers with the required working equipment. Fifty (43.9%) of the respondents agreed that there is good relationship between the managers and the junior officers. Further majority 78(68.4%) of the respondents agreed to the statement that there is good relation between the managers and the supervisors. Fifty 50(43.9%) of the respondents agreed that employee job performance can be attributed by the good supervision. Forty nine (43%) of the respondents agreed that the bank has enough supervisors to head different departments. The data shows that working conditions such as having working equipment, relationship between the managers and the junior officers, good supervision and having supervisors to head different departments were some of the factors that were important in contributing to job performance. To establish the correlation between working conditions affect employees job performance at Equity Bank, Mt. Kenya region, Pearson's correlation coefficient was carried out. The data is presented in Table 4.6

**Table 4.6 Pearson's Correlation between Working Conditions and Effects on Employees' Job Performance**

| **Variables relationship** | | **Working conditions** | **Job performance** |
|---|---|---|---|
| Working conditions | Pearson Correlation | 1 | .711 ** |
| | Sig. (2-tailed) | | 000 |
| | N | 114 | 114 |
| Job performance | Pearson Correlation | .711 ** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 114 | 114 |

**Source: Survey Research (2007)**

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

The results, revealed that there was a significant and positive relationship between working conditions and job performance (r = .711, N = 114). The correlation was strong and positive relationship between working conditions affect employees job performance at Equity Bank, Mt. Kenya region. Employees' job performance were associated with working conditions at Equity Bank, Mt. Kenya region.

### 4.7 Effect of Recognition on Employee Job Performance

This section tends to find out how recognition affect employees job performance at Equity Bank, Mt. Kenya region. The respondents were asked to indicate if they strongly agreed, agreed, disagreed or strongly disagreed to the statements as shown in table 4.7.

**Table 4.7 Responses on the Effect of Recognition on Job Performance**

| Statement | SD | | D | | A | | SA | |
|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % |
| The bank recognizes employees that performs well by giving them merit awards | 45 | 39.5 | 21 | 18.4 | 41 | 36.0 | 7 | 6.1 |
| The bank has put up proper structures of recognizing its employees | 34 | 29.8 | 51 | 44.7 | 22 | 19.3 | 7 | 6.1 |
| Employees in this bank are motivated by being given the employee of the month award | 64 | 56.1 | 31 | 27.2 | 12 | 10.5 | 7 | 6.1 |
| Lack of recognition such as employee of the month has led to low employee job performance | 25 | 21.9 | 39 | 34.2 | 23 | 20.2 | 27 | 23.7 |
| The bank awards its best employees | 53 | 46.5 | 35 | 30.7 | 15 | 13.2 | 11 | 9.6 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| by giving them recommendation letters | | | | | | | | |
| Recommendation letters serve as a motivation to the employees. hence increasing their job performance | 40 | 35.1 | 37 | 32.5 | 17 | 14.9 | 20 | 17.5 |

**Source: Survey Research (2007)**

As presented in table 4.7 Only 45(39.5%) of the employees strongly disagreed that they are recognized by the bank when they perform well by them merit awards. Almost half the number of respondents, less than half 51(44.7%) of the respondents disagreed that the bank has put up proper structures of recognizing employees. Majority 64(56.1%) strongly disagreed that employees in their banks are motivated by being given the employee of the month award. It was also revealed that only 39(34.2%) of the respondents disagreed that lack of recognition has led to low employee job performance. Almost half the number of respondents or 53(46.5%) of the respondents strongly disagreed that the bank awards its best employees by giving them recommendation letters while only 40(35.1%) of the respondents strongly disagreed that recommendation letters serve as a motivation to the employees hence increasing their job performance. The data shows that bank did not have recognition aspects such as recognizing its employees that performed well by giving them merit awards it can also be deduced that the bank had not put up proper structures for recognizing its employees. Employees were not motivated by being given the employee of the month award. The bank did not have motivation factor such as employee of the month award. Further the employees disagreed that the bank gave them recommendation letters. These factors had led to low employee job performance. To establish the correlation between recognition on employment job performance job performance at

Equity Bank, Mt. Kenya region, Pearson's correlation coefficient was carried out. The data is presented in Table 4.8

**Table 4.8 Pearson's Correlation between Recognition and Job Performance**

| **Variables relationship** | | **Recognition** | **Job performance** |
|---|---|---|---|
| Recognition | Pearson Correlation | 1 | .765 ** |
| | Sig. (2-tailed) | | 000 |
| | N | 114 | 114 |
| Job performance | Pearson Correlation | .765 ** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 114 | 114 |

**Source: Survey Research (2007)**

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

A Pearson correlation analysis conducted to examine whether there is a relationship between recognition and job performance at Equity Bank, Mt. Kenya region. The results revealed that there was a significant and positive relationship between recognition and job performance ($r = .765$, $N = 114$). Job performance was associated with recognition.

### 4.8 Job Performance

The researcher also wanted to establish the levels of job performance among the employees. The respondents were therefore asked to indicate they extent to which they agreed with statements that sought to establish how employees' job performance contribute highly to achievement of targets, how employee performance help in increasing the customer base and how job performance of an employee depends on the strength of incentive scheme offered. The responses are presented in Table 4.9.

**Table 4.9 Levels of Job Performance**

| **Statement** | **SD** | | **D** | | **A** | | **SA** | |
|---|---|---|---|---|---|---|---|---|
| | **F** | **%** | **F** | **%** | **F** | **%** | **F** | **%** |
| The employees' job performance contribute highly to achievement of targets. | 10 | 8.8 | 7 | 6.1 | 32 | 28.1 | 65 | 57.0 |
| Employee performance help in increasing the customer base | 7 | 6.1 | 4 | 3.5 | 41 | 36.0 | 62 | 54.4 |
| Job performance of an employee depends on the strength of incentive scheme offered | 28 | 24.6 | 10 | 8.8 | 48 | 42.1 | 28 | 24.6 |

According to table 4.9, majority 65(57%) strongly agreed that the employees job performance contribute highly to achievement of targets. The majority 62(54.4%)

strongly agreed that employee performance help in increasing the customer base. Also majority 48(42.1%) agreed that job performance of an employee depends on the strength of the incentive scheme offered.

# CHAPTER FIVE
# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents the summary of the study, summary of findings, conclusions, recommendations and suggestions for further research.

## 5.2 Summary of the findings

Findings on the effect of compensation on employee job performance revealed that compensation such as salaries allowances and commissions were important monetary incentives in increasing employees' job performance. Majority 76(66.7%) of the respondents strongly agreed that employees are compensated with a salary every month. Majority 89(78.1%) of the respondents strongly disagreed that employees at equity bank are provide with allowances. The majority 89(78.1%) of the respondents strongly disagreed that allowances are major factors that has improved employees job performance at Equity bank. Majority 72(63.2%) strongly disagreed that provision of commission has led to high employee job performance while majority 63(55.3%) of the respondents strongly disagreed that the bank gives commissions to the employees who have done well. Findings on the effect of incentives on employment job performance revealed that favorable insurance cover, medical cover, bonus at the end of the year did not increase employees' job performance. This was revealed by a majority 58(50.9%) of the respondents agreed to that the bank has had no favorable insurance cover for its employees. They also agreed that the bank did not provide insurance cover as an incentive for its employees hence increasing their job performance. The respondents also agreed that employees in their banks did not receive medical cover as an incentive. The respondents strongly disagreed that employees job performance in their bank can be attributed to the medical cover they are given and also that the bank did not give bonuses at the end of the year to increase their job performance.

Findings on the effect of working conditions on employment job performance showed that working conditions such as having working equipment, relationship between the managers and the junior officers, good supervision and having supervisors to head different departments were some of the factors that were important in contributing to job performance. As shown by the respondents 52(45.6%) of the respondents agreed to the statement that employees at the bank have the required working equipment. Majority 71(62.3%) agreed to the statement that the bank always replaces or provides its workers with the required working equipment. Fifty (43.9%) of the respondents agreed that there is good relationship between the managers and the junior officers. Further majority 78(68.4%) of the respondents agreed to the statement that there is good relation between the managers and the supervisors. Fifty 50(43.9%) of the respondents agreed that employee job performance can be attributed by the good supervision. Also 49(43%) of the respondents agreed that the bank has enough supervisors to head different departments.

Findings on the effect of recognition on employment job performance showed that the bank did not have motivation factor such as employee of the month award. Further the employees disagreed that the bank gave them recommendation letters. These factors had led to low employee job performance. From the responses, almost half the number of respondents 51(44.7%) disagreed that the bank has put up proper structures of recognizing employees. Majority 64(56.1%) strongly disagreed that employees in their banks are motivated by being given the employee of the month award. Almost half the number of respondents or 53(46.5%) strongly disagreed that the bank awards its best employees by giving them recommendation letters.

### 5.3 Conclusions of the Study

Based on the findings of the study it was concluded that the employee job performance was affected by the compensations that were provided. Allowances such as salaries allowances and commissions were important monetary incentives in increasing employees' job performance. The study also concluded that lack of non-monetary incentives such as favorable insurance cover, medical cover, bonus at the end of the year did not increase employees' job performance. The findings showed that respondents were in agreement that favorable insurance medical cover, bonus at the end of the year were important in increasing employees' job performance. The study also concluded that working conditions was favorable in the banks hence increased employees job performance. Working conditions such as having working equipment, relationship between the managers and the junior officers, good supervision and having supervisors to head different departments were some of the factors that were important in contributing to job performance. Lastly the study concluded that the data shows that bank did not have recognition aspects such as recognizing its employees that performed well by giving them merit awards. It can also be deduced that the bank had not put up proper structures for recognizing its employees. Employees were not motivated by being given the employee of the month award. The bank did not have motivation factor such as employee of the month award. Further the employees disagreed that the bank gave them recommendation letters. These factors has led to low employee job performance.

## 5.4 Recommendations

Based on the finding on the study, it was recommended that the bank should put in place structures for employees recognition such as favorable insurance medical cover, bonus at the end of the year so that they may increase employees job performance. It was also recommended that the bank should put in place recognition incentives such as employee of the month award, recommendation letters so as to motivate the employees to have them increase their job performance.

## 5.5 Suggestions for Further Research

Taking the limitations and delimitations of the study, the researcher suggested that since the study was carried out in one bank, a similar study could be carried out in another commercial bank to establish the factors that influence job performance in the banks. Since the study concentrated on only for variables namely compensation, incentives, working conditions and recognition, another study could be carried out on other variable to establish whether there are other variables that could influence employees job performance

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# APPENDICES

## APPENDIX I: LETTER OF INTRODUCTION

Makara Susan Wanjiru

P.O Box 990-10100 Nyeri

15th March, 2017

The Manager

___________________ Branch

Dear Sir / Madam,

**RE: REQUEST TO CARRY OUT RESEARCH IN YOUR BRANCH**

I am a master's student at Kenyatta University carrying out a study on influence of financial and non-financial incentives on employee's job performance at Equity Bank Limited, Mt. Kenya Region. Kenya." Your branch has been selected as one of the few for the purpose of undertaking the study. I am hereby kindly requesting you to give your honest responses to the questionnaire items attached to this letter. Your identity will be treated with confidentiality and the information used strictly for the academic purposes. Thank you in advance for the anticipated cooperation.

Yours faithfully,

Makara Susan Wanjiru

## APPENDIX II: QUESTIONNAIRE FOR THE RESPONDENTS

This questionnaire is designed to gather information on the influence of financial and non-financial incentives on employee's job performance at Equity Bank Limited, Mt. Kenya Region. Kenya. You are kindly requested to tick (√) the appropriate response or respond as indicated. Do not put your name or any other form of identification. Your identity will be confidential and the information will only be used for the purpose of this study. Please respond to all items.

**Section A: Demographic Information**

Indicate the correct option by inserting a tick (P) in appropriate box provided

- Gender: Female [ ] Male [ ]
- Age: Below 24yrs [ ] 26 – 30 yrs [ ]

  31 – 35 yrs [ ] 36 – 40 yrs [ ]

  41 – 45 yrs [ ] 46 – 50 yrs [ ]

  51 and above [ ]

- Kindly indicate your highest academic/professional qualification.

  B. Ed [ ] Diploma in Education [ ]

  M. Ed [ ] P1 [ ] Others, (specify) __________

- What is your experience in the banking sector?

  Below 1 year [ ] 1 – 10 years [ ] 11 – 15 years [ ]

  Over 15yrs

- How long have you been working in this branch?

  Below 1 year [ ] 1 – 5 years [ ]

  6 – 10 years [ ] Over 10 years [ ]

**Section B: Employee Compensation**

In a scale of 1 to 4 where 4 is strongly agree and 1 is strongly disagree, indicate the extent to which you agree or disagree with the following statements concerning compensation and job performance

**Key 4 – Strongly agree; 3 Agree; 2 Disagree; 1 Strongly disagree**

| | **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|---|
| 1 | Employees at this branch are given bonuses at the end of the year | | | | |
| 2 | The bank recognises the important of bonuses for its employees | | | | |
| 3 | Employees at Equity Bank are provided with profit sharing at the end of the financial year | | | | |
| 4 | Profit sharing is one of the factors that has improved employees job performance at Equity bank | | | | |
| 5 | Provision of commission has led to low employee job performance | | | | |
| 6 | The bank gives commissions to the employees who have done well | | | | |

**Section C: Incentives and employee job performance**

In a scale of 1 to 4 where 4 is strongly agree and 1 is strongly disagree, indicate the extent to which you agree or disagree with the following statements concerning incentives and job performance

**Key 4 – Strongly agree; 3 Agree;2 Disagree; 1 Strongly disagree**

| | **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|---|
| 1 | The bank has proper insurance cover for its employees | | | | |
| 2 | The bank provides insurance cover as an incentives for its employees hence increasing their job performance | | | | |
| 3 | Employees at this bank receive medical cover as an incentive | | | | |
| 4 | Employees job performance in the bank can be attributed to the medical cover they are given | | | | |
| 5 | The bank frequently promotes its employees to increase their job performance | | | | |
| 6 | Employees in the banks have been motivated by the promotions given to them | | | | |

**Section D: Working conditions and employee job performance**

In a scale of 1 to 4 where 4 is strongly agree and 1 is strongly disagree, indicate the extent to which you agree or disagree with the following statements concerning incentives and job performance

**Key 4 – Strongly agree; 3 Agree;2 Disagree; 1 Strongly disagree**

| | **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|---|
| 1 | The bank has good lighting enabling good working conditions | | | | |
| 2 | The working conditions at the bank as a result of good lighting is important for them to work better | | | | |
| 3 | Employees at the bank have the required working equipment | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 4 | The bank always replaces or provides its workers with the required working equipment | | | | |
| 5 | There is transparency and open communication within this bank | | | | |
| 6 | Transparency and open communication is an important aspect for effective job performance | | | | |

**Section E: Employee Recognition**

In a scale of 1 to 4 where 4 is strongly agree and 1 is strongly disagree, indicate the extent to which you agree or disagree with the following statements concerning incentives and job performance

**Key 4 – Strongly agree; 3 Agree; 2 Disagree; 1 strongly disagree**

| | **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|---|
| 1 | The bank recognises employees that performs well by giving them certificates | | | | |
| 2 | The bank has put up proper structures of recognizing its employees such as certificate awards | | | | |
| 3 | Employees in this bank are motivated by being given the employee of the month award | | | | |
| 4 | Lack of recognition such as employee of the month has led to low employee job performance | | | | |
| 5 | The bank awards its best employees by giving them appreciation cards | | | | |
| 6 | Appreciation cards serve as a motivation to the employees hence | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | increasing their job performance | | | | |

**Section F: Job performance**

Indicate the level of job performance by the employees in this bank

| | **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|---|
| 1 | There is enhanced teamwork | | | | |
| 2 | There is increased customer base | | | | |
| 3 | There is improved work habits | | | | |