

**REWARD SYSTEMS AND PERFORMANCE OF EMPLOYEES IN
COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA**

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**A RESEARCH PROPOSAL SUBMITTED TO THE SCHOOL OF
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UNIVERSITY**

MARCH, 2021

DECLARATION

.....
This research proposal is my real research piece and has not in any way been a work used or presented for a degree in any other higher institution of learning

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DEDICATION

This piece of work is ascribed to God and to my entire family for their unalloyed supports.

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OPERATIONAL DEFINITION OF TERMS

- Career progression:** This refers to as a process of acquiring new skills to find new opportunities in a career
- Employee performance:** This refers to the extent to which job-related activities are measured in terms of expected success and how well they are performed or executed
- Financial rewards:** These are financial-based reward given when met or exceeded by employees
- Fringe benefit:** This refers to additional non-wage compensation given to employees apart from their real wages or salaries
- Recognition:** This refers to the identification and acknowledgement of employees, usually by superiors for effort putting in towards attaining a common cause or goal
- Reward System:** This refers to as incentive mechanism for influencing both employee attitudinal and performance outcomes

ABBREVIATIONS AND ACRONYMS

CBK:	Central bank of Kenya
HR:	Human Resource
KCB:	Kenya Commercial Bank
SPSS:	Statistical Package for Social Sciences
VIF:	Variance Inflation Factor

ABSTRACT

Organizations seek as priority the aim of retaining a proficient and quality workforce. When employees are satisfied with their job, they worked towards attaining set targets, taking up additional responsibilities, accepting a challenging job, and working towards enhancing personal and professional goals. However, evidence from research studies revealed that employees in Kenya context experienced low sense of satisfaction, and this occasioned poor performance outcomes at all organizational levels, especially in deposit banks across Kenya. In lieu of this background, the study therefore seeks to examine the effect of reward systems on performance of workforce in selected Commercial Banks in Nairobi County. This study also seeks as specific objectives the effect which indicators of reward system such as recognition, financial rewards, career progression, and fringe benefit has on performance of employees in Commercial Banks, Nairobi, Kenya. To address objectives of this study, 357 employees will be targeted as the unit of analysis out which 107 participants will be randomly (stratified and simple) selected as sample size. Primary data will be collected and the instrument of getting the data collected will be via structured questionnaires. The validity and reliability of research instrument will be determined to ascertain how relevance and adequate the items to the study variables of interest. The analysis of the primary data collected will be carried using statistical software named Statistical Package for Social Sciences where statistical parameters such as sample mean, standard deviation, and multiple regression method will be employed. The interpretation and presentation of the outcomes of analysis carried out will be explained using tables and graphs. The study will also ensure that ethics governing research studies are given utmost priorities.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

One of the utmost challenges in today's dynamic, globalized, and competitive remains the tendency to attract, retain, and motivate workforce towards attaining organizational common goals (Nnaji-Ihedinmah & Egbunike, 2015). Employees who are working in financial institutions are responsible for dealing with chunk of raw cash and at the same time array of customers in day-to-day activities. It requires a high level of ethics with more responsibility to be working with challenging customer (Kithuka, 2015). It has become utmost concern in banking sector the need to acquire and retaining competent workforce capable of contributing to the attainment of high performance (Gohari & Kamkar, 2016). Performance is therefore related to output in terms of quality, quantity, timeliness, and efficient and effective completion of work (Chang and Hahn, 2011).

The most crucial organizational asset is people (human resource elements) because they constitute a veritable source for firms to obtain competitive edge in the business environment (Aslam, 2015). In tandem with this remark, Edirisooriya (2014) argues that to enhance performance at various organizational level it becomes expedient to retain workforce considered efficient and effective. Therefore, motivation becomes important for human resource elements translating to efficiency and effectiveness (Pratheepkanth, 2017). As remarked by Beardwell and Claydon (2016), when employees are well motivated, they can add value to their organizations in form of working towards attaining set targets and boosting sustainability. The need to identify reward mechanisms via employees becomes imperative.

A reward system that is properly administered is adjudged to offer incentive for quality workmanship and performance related outcome, while a bad one can heighten turnover rate in an organizational context. A successful reward system is contingent on the employee (Imran, 2012). To Reward and recognize employees is considered as a good strategy because people can be motivated to explore efficient and effective way of executing tasks or jobs in an organization.

(Doreen & Nkrumah, 2015). Additionally, in a strategically move, a good reward system may serve as a tool for attracting qualified people to pursue organizational goals, and also retaining them for pursuing competitive advantage. In contrast, a poorly administered reward system may skew towards unproductive performance and also likely occasion employee turnover (Hatice, 2019).

1.1.1 Employee Performance

The term employee performance is used to described the differences in what is expected of an employee in terms of the work assigned to them to execute in an organizational setting. It can also be described as the degree to which employees contribute the stated objectives in an organization. Performance at the level of employee may appear in for of contribution to outputs in terms of quantity, quality, availability at work, and ability to assist others. Yang (2018) asserted that performance at individual level of an organization may be difficult to ascertain; however, organization can leverage bonuses and rewards systems to motivate employee if it is discovered that employees are performing very well.

Several indicators have been used to measure employee performance in Literature. Performance metrics, as investigated in literature, range from output quality, customer satisfaction, timeliness, achievement, and absenteeism or tardiness. The quality of output measures the proportion of work that is considered acceptable or rejected, customer satisfaction is described in terms of customer loyalty and feedback, timeliness measures prompt execution of task by employees, achievement measures the degree to which performance targets are met, and absenteeism measures the extent to which employees did not show up at work as a result of the reasons best known to them.

On the other hand, Yazici (2008) revealed that the reward system in place in an organization serves a pivotal tool the morale and performance of employees. It is remarked that firms often concentrated much efforts in creating values to satisfy customers at the expense of employee satisfaction; however, customer satisfaction is contingent on employee satisfaction in organizational settings. As remarked by Ahmad, *et al.* (2015), if employees derive satisfaction in their workplace, it may result to motivation that in turn generate customer satisfaction. Motivation, therefore, serves as a mechanism via which employee performance can be improved in an organizational setting (Azar & Shafighi, 2019). In the current study,

the indicators of employee performance include productivity, timelines in completing tasks and delivering high quality work.

1.1.2 Reward Systems

Reward is conceptualized in literature as a form of compensation or outcome earned by employees based on their performances and such rewards are in consonance with organizational goals (Yousaf, 2014). Rewards may include compensation, benefits, and other career progression outcomes. As remarked by Gross and Friedman (2014), compensation as form of reward may appear as a base pay and both short and long terms incentives, benefits constitute workplace activities such as health issues, work life balance, and other benefits, while career related rewards include career progression, training, and development. Rewards are earned in organization basically for the accomplishment of predetermined organizational goals. Rewards serve as a vector of motivation for appreciating employees' innovative ideas and contribution of efforts. Rewards can also be employed to improve performance outcomes using financial and nonfinancial measures. As observed by Karami, Dolatabadi and Saeed (2013), rewards should be effective, timely and appropriate so as to induce both manager and employees' motivation. A handful of studies have therefore remarked that reward system is a performance reinforcement that enhance and increase motivation of people working in the organization. It has been also remarked in literature that performance reinforcement as a tool of motivation has the tendency to enhance employees' productivity (Pratheepkanth, 2017; Aslam, 2015).

Yousaf (2014), reward system ensures that the values that individuals or employees contributed to the organization are equitably, fairly, and consistently compensated. It ensures that employees are motivated and this leads to attainment of an organizational goal, and it further enhances productivity and performance at various organizational levels. Reward as a motivation mechanism does not limit to financial compensation, (Njanja, Maina, Kibet & Njagi, 2016). Nelson and Spitzer, (2016) remarked that human resource remains a critical resource of an organization because it contributes to enhancement of employees' competences, knowledge, motivation, and as well as overall performance of an organization. In addition, organization can obtain sustainable competitive advantage by the quality of human resource as asset possessed by organizations. The current study considers financial rewards, fringe benefits, recognition schemes and career progression as the indicators of reward systems.

The use of financial reward is applied in an organization as a form of encouragement to employees who worked to meet certain set targets or goals, and this reward can be deployed in form of cash to be given monthly or at the end of an accounting period. Rewards that are financially based can be fixed amount or percentage, or also in form of profit sharing or bonus programmes available in a company. In addition, rewards can also be in form of spot bonuses and stock options as a means of recognizing innovation and achievement of efforts put in by employees in an organization (McQuerrey, 2017). Furthermore, financial rewards are deployed in an organization as a form of monetary incentives earned by employees as measure of good performance, and this it is always aligned with organizational goals.

Career progression has been adjudged as salient mechanism of reward system (Chen & Hsieh, 2006). Milkovich (2012) assert that reward strategies should embrace career development support for firms focusing on attaining higher employee and organizational productivity. Fringe benefits are additional compensation to wages with the solely purpose of stimulating workers' interests and to make the job more attractive and conducive Newman (2013). Thus, to attract and retain employees with potential and zeal to perform, fringe benefits should constitute a salient aspect of an organization's rewards systems.

Recognition can also be employed in an organization as reward strategy for employee performance, and it has been conceptualized in literature as a means of acknowledging, approving, and appreciating employees for contributing to the attainment of organizational goals (Maccoy, 2015). There are many ways recognition can be deployed in an organization: it can be done on formal basis or in a n informal basis where employees to be rewarded are officially announced or informally recognized by a leader of the team. The formal recognition of employees can take the forms of verbal, written communication. According to Warughbo (2013), recognition is different from financial rewards but it may include benefits such as a merit increase in pay, bonuses, and performance feedbacks.

The focus of this paper, however, is on non-financial recognition which may not embrace information performance but there is certain recognition that involves cost, i.e., plaques, prizes, dinner, and such non-financial recognition attracts information about performance. According to Ndungu, (2017), the various mechanisms of recognizing employees may attract monetary value. For example, taking employees for luncheon, giving gift certificate or plaques involves money. Recognition practices are

of different forms and employees are motivated differently, therefore management of an organization should ensure that there is flexibility when implementing recognition practices within the organizations.

1.1.3 Commercial banks in Nairobi County

There are 38 Commercial Banks operating in the banking sector in Kenya. Financial sector in Kenya context experienced tremendous changes and expansion spanning over periods of two decades (2000-2020). The increased expansion in banks has encountered some challenges such as low services and bad customer dissatisfaction specifically in leading banks. The Central Bank of Kenya regulates activities of Commercial Banks Institutions in Kenya in accordance with the provision of the Companies Act and Banking Act.

The increased competition as a result of innovation IT system has become major challenges facing Commercial Banks in Kenya (Kinyua, 2014). Organizations (banks) have devised innovation strategies (product, market, process, non-technological) to tackle pressure from the environment, and this can be only achieved by competent organizational workforce (Maseki, 2015). Though ICT has been identified as the bedrock of firms operating in financial sector across contexts, human capital is a force to reckon with in today's highly digitalised financial service sector. Financial service firms such as banks continue to offer their clients with the optimum banking services via their staff. Firms strive to make their workforce more efficient and qualified through best rehabilitation and training programmes so as to acquire the requisite knowledge, skills, and abilities. This effort is aimed at positioning the banks for customer retention.

Due to proliferation of banks with multinational outlook in Kenya, banking sector in Kenya have created a new culture relating to performance measurement, reward strategies, and compensation management. There has been a constant pressure on the part of employees to acknowledge error arising from the performance targets set by employers. Bank workforce felt the pressure of constant increased targets from their employers, and this has made them become more aggressive about reorganizing of work to enhance higher productivity aided by technologies and management systems. The need to put more efforts in an organizational setting so as to gain increased market share occasioned difficulties and harshness in the

workplace. In addition, the implementation of performance targets in financial sector is compelling organizational workforce to add more hours so as to get the target deadlines met (Kithuka, 2015).

1.2 Problem Statement

Organizations strive hard to get productive workforce retained. Evidence from research studies has indicated that customer satisfaction is contingent on accomplishment of set targets, accepting and fulfilling challenging jobs, and opportunity for growth. Performance of employees, however, in Kenyan commercial banks has been fluctuating. A study by Mwanthi (2019) reported that near half of the middle level banking staff do not meet their targets with the stipulated deadlines. The researcher also noted that the staff found it difficult to work beyond closing hours even when customers were still in the banking hall. Mwanthi also reported that bank employees concealed innovative ideas when they felt they were not part of the organizations. This has led to loss of customers in some banks. For instance, CBK supervisory report (2018) showed that National bank had lost over 7% of its customers. The same report showed that Cooperative bank had recorded decline in the number of transactions by 12%. Additionally, the report indicated that the standard chartered bank had recorded a sharp decline in the number of new customers by 18%.

A great number of research works have been fronted on rewards and performance and the employee level of an organization. The focus of the investigation conducted in a study by Omollo and Oloko (2015) centered on how performance of employees influenced commercial banks Migori County, Kenya. A study conducted in Trans Nzoia by Wanyama and Kimutai (2015) showed how performance at the employee level in commercial banks was being influenced by performance appraisal system. In the same vein, the effect which employee value proposition had on performance of employee was investigated in deposit banks in Kenya context (Aloo & Moronge, 2014). The study of Wanyama and Mutsotso (2016) highlighted how productivity and capacity building of employees are linked with performance in deposit money banks in Kenya. Mugaa, *et al.* (2018) researched on how career progression relates and influences performance of employees in large deposit money banks in Kenya. However, evidence of studies showing the linkage between reward practices and

performance at employee level remains scanty. This present study therefore poises to examine whether rewards system has influence on performance of employees in deposit banks.

1.3 Study Objectives

1.3.1 General Objectives

The broad objective that this study seeks is to examine the effect that reward systems has on performance of employees in Commercial Banks in Nairobi city County, Kenya.

1.3.2 Specific Objectives

Specifically, the following objectives of the study will be:

- i. To investigate the effect of financial rewards on performance of employees in commercial banks in Nairobi county.
- ii. To examine the effect of fringe benefits on performance of employees in commercial banks in Nairobi county
- iii. To investigate the effect of recognition schemes on performance of employees in commercial banks in Nairobi county
- iv. To explore the effect of career progression on performance of employees in commercial banks in Nairobi county.

1.4 Research Questions

- i. What influence does Financial rewards have on performance of employee in commercials banks in Nairobi County?
- ii. How does Fringe benefits influence performance of employees in commercials banks in Nairobi County?
- iii. Do recognition schemes have effect on performance of employee in commercials banks in Nairobi County?
- iv. Does career progression have any effect on performance of employees in commercials banks in Nairobi County?

1.5 Significance of the Study

Findings of this study will benefit stakeholders which include management of deposit banks in Kenya, marketing practitioners, and research scholars and academicians. The management of financial institution in Kenya can leverage on findings of this study to influence the process of innovation in banking institutions. The findings will also benefit market practitioners on how to employ product packaging to influence the segmentation of the target markets. In the academic environment, both scholars and researcher will find the findings of this study necessary to front an additional investigation on variables influencing consumer purchase decisions.

1.6 Scope of the study

This study will examine the effect of reward system and employee performance in commercial banks in Nairobi. In terms of the contextual scope, the study will be carried out in Nairobi City County, Kenya where some deposit banks will be selected as the unit of analysis. Conceptually, activities covering rewards system will be examined and performance of employees will be treated as the outcome variables. Methodologically, the scope of the study will cover quantitative designs and primary data will also be collected. In term of time scope, the research will be carried out within the periods of three months and during this periods data collection, analysis, and compilation of the document will be done.

1.7 Limitation of the study

Banks are bureaucratic organizations and therefore the strict procedures and processes of handling operations may hinder administration of questionnaires in this study. This becomes a limitation and this will be handled by booking an appointment with the officials of the selected banks where the questionnaire will be submitted and then collected at a future date. Banks are under secrecy of oaths not to disclose information and therefore selected respondents may not want give attention to the instrument of this study. The researcher will attend to address this limitation by obtaining a permission letter from the appropriate authorities (Kenyatta University & NACOSTI) that will be submitted to the authorities in the selected banks to carry out research activities.

1.8 Organization of the Study

The research proposal is organized in the following way. Chapter one has background, the problem statement objectives and research questions, the scope, significance, and limitation. In chapter two theoretical framework, empirical review and summary of research gaps are discussed. Chapter three will comprise of methodology of the research, type of research design to use, what will form the target population, sample and sample size, validity and reliability, research instruments and data collecting procedures, analysis of data and presentation then ethical considerations

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The review of literature with respect to conceptual, theoretical, and empirical of past studies on the construct of reward system and performance of employees will be discussed in this chapter. After the review, a conceptual framework of the study will be drawn.

2.2 Theoretical Framework

This study will use five theories including Operant conditioning, expectancy, Cognitive evaluation, and Equity theories. These theories focus on ways that motivate employees to perform a particular task both intrinsically and extrinsically.

2.2.1 Operant conditioning theory

Operant conditioning theory was proposed by Skinner (1938). The theory focuses on changes in people's observable behaviors. The theoretical reasoning from operant conditioning theory provides understanding that new or continued consequences are the products of new or continued behaviors (Hannum, 2016). Skinner theorized that a behavior may be likely to be repeated if such attitude or behavior is induced by reinforcement. However, if a behavior or attitude was accorded a punishment or reprimands, such behavior or attitude may not be repeated.

The ideas characterizing operant conditioning theory embraces the constructs reinforcement punishment, and stimulus control. As posited by Fagnani and Media (2016), activities and efforts that strengthen or induce an attitude or behavior to be repeated is termed reinforcement. Therefore, reinforcement can occur either as positive or negative. As asserted by Grimsley (2016), a positive reinforcement can generate consequences to be found rewarding in an organization. For instance, employees may decide to continue working extra hours because of the believe that the extra hours put in will be rewarded with extra pay or other benefits. On the other hand, a negative reinforcement is applied basically to mitigate or stop certain attitudes or behaviors in an organization.

Negative reinforcement could be institutionalized in form of salary stoppage, withholding of pay, non-increment of salary, and others so as to stop repetition of certain attitudes and behavior. Therefore, negative reinforcement is applied to remove unpleasant and unpalatable behaviors and attitudes in an organizational setting.

As remarked by McLeod (2015) and Sammons (2012), punishment as a form of reinforcement that weakens unpleasant behavior or constrains attitudes or behavior from being repeated. Drawing from the theoretical insight from operant conditioning theory, an organization can employ reward system as a tool to condition the attitudes and behavior of organizational workforce so as to act in certain ways. Therefore, operant conditioning theory is considered as a relevant to explain how performance can be enhanced by leveraging on the manipulation of reward systems in an organizational setting.

2.2.2 Expectancy theory

As proposed by Victor Vroom in 1964, expectancy theory provides illustration on what motivates people that work in the organizations. As a mechanism for energizing, directing, and sustaining behavior, motivation serves to inspire organizational workforce to make use their knowledge, skills, and abilities to attain certain objectives (Nteere, 2012; Saleem, 2010). The expectancy is of the assumption that an additional effort will result in attainment of goals. This means that employees who put extra efforts to meet up in terms of accomplishing a set target did so because of the expectation that there are rewards accompanying efforts put in to achieve the target performance. Therefore, rewards such as fringe benefits and other financial rewards are given to employees as a result of efforts put in to target goals (Raheel, 2013).

As observed in literature, what often determines individual believe is contingent on past experience and how difficult a goal is perceived to be attained. Therefore, when is task is accomplished at the right time, it makes employees to be more motivated and works harder. The theoretical reasoning provided by the expectancy theory brings to the fore that employees get motivated when positive association exists between efforts and rewards irrespective of individual different goals (Robbins & Judge, 2012).

Expectancy theory is explained based on major three components- expectancy, instrumentality, and valence. As posited by Sinha (2015), the value placed on rewards by individuals in the organization is termed valence, and this may be informed of intrinsic and extrinsic factors such as satisfaction, pay increase, promotion, fringe benefits, and recognition practices (Lunenburg, 2012). While expectancy entails employees' level of confidence and expectation that certain tasks within an organization can be adequately accomplished. As remarked by Sander (2012), expectancy can be influenced by constructs such self-efficacy, perception of control over performance, and goal difficulty.

Instrumentation is a component of expectant theory that is anchored on assumption that attainment of performance expectation will result to a greater reward (McShane & Von Glinow, 2011). These rewards may be in form of financial- pay increase, bonuses or non-financial-promotion, sense of accomplishment. As observed by Vroom, the interaction between expectancy, instrumentality, and valence will lead to a motivational force that can stimulate employees to act in a positive way and avoid pain (Hartzell, 2015). The interaction of expectancy, instrumentality, and valence will result to an increased motivation and also boost morale of employees. A motivated worker will unleash their potentials and put in additional efforts towards improving performance in an organization. Expectancy theory therefore remains an important theory explaining reward system will serve as a motivation mechanism that will give employee zeal towards performance attainment in an organization.

2.2.3 Cognitive evaluation theory

Deci and Ryan (1985) propounded cognitive evaluation theory that emphasised on intrinsic and extrinsic forms of motivation (McLaughlin, 2015). The theory was propounded to address the issues resulting from empirical studies that revealed negative outcome when extrinsic rewards are introduced on intrinsic motivation. The earlier remark in literature was that intrinsic motivation was not in any association with extrinsic motivation; however, evidence from empirical studies has shown that a connection existed between them. Therefore, a conclusion is reached that the employment of extrinsic motivation reduces intrinsic motivation (Meer, 2013).

According to Deci and Ryan in (1985), a change in intrinsic form of motivation is influenced by perceived competence and locus of causality. The locus of causality defines the believe in individual that one is capable of controlling one's action without an instigator (autonomy). As posited by Grant and Berry (2011), an individual with locus of control is believed to be intrinsically motivated. Therefore, when external rewards form the basis of motivation, the perception of employee with respect to locus of causality changes and they only believe in external rewards and therefore intrinsic motivation reduces. In a similar vein, Filak and Sheldon (2008) argued that offering of intrinsic rewards can make employee to have control on the task and the resultant effect will be lower motivation.

According to Llopis-córcoles (2013), when an individual perceived that he is competent to perform a given task, then his intrinsic motivation increases. Intrinsic motivation facilitates performance of activities and this makes people to have the feelings that they are competent and self-determining. Therefore, feeling of competence can be created through intrinsic motivations such as recognition and feedbacks. Therefore, reward system that strengthens the feeling of competence and self-determination will enhance intrinsic motivation (Vansteenkiste, *et al.*, 2007).

As remarked by Meer (2013), the fact that extrinsic motivation influences changes in individual behavior, but there is intrinsic motivation that cannot be diminished about extrinsic motivation. For example, extrinsic motivation such praise and appreciation will lead to intrinsic motivation. In addition, recognition can also be used to enhance employee motivation.

2.2.4 The Equity Theory

Adams and Freedman (1976) proposed equity theory. The theory dwelled on determining whether the parties in a relationship experienced fairness in terms of the distribution of resources received. From an organizational perspective, the basis for comparison between outcome received and the inputs deployed by employees was provided by the tenet of equity theory. Employees as a rational being make use of equity theory by comparing the ratios of inputs to outputs received with others in the workplace. (Griffin & Moorhead, 2011). In other words, the proportion of rewards received in comparison with one another in similar job position becomes the major concerns of organizational workforce employees in an organizational setting. Therefore, perception of fairness in the ratios in the ratios of outcome-inputs received in an organization then just is perceived to be prevailed and then such an employee will get motivation and then works towards the attainment of an organizational goal.

However, if there is perception of inequity is found in the ratios of the income received to output deployed by employee, then the feeling feelings of under rewarded will set in and there will be no motivation. As observed Ramlall (2004), if perception of inequity exists in an organization reward system, employee perception, based on equity theory, may occasion behaviors that constitute negative effects in the entire organization. The employee might also simply separate from the job. Equity theory has an implication that organizational workforce will be significantly influenced by rewards in an organizational context (George, Jones, & Sharbrough, 2002).

Perception of inequity in workplace always spurs employees to act and correct the situation. Equity theory was applicable and became relevant to this study because it provided platform for understanding the importance of reward systems as a motivational tool for enhancing attitude and behavior of people working in an organizational setting, and how the behavior can results to favorable performance outcomes.

2.3 Empirical Literature Review

2.3.1 Rewards and Employees performance

Financial rewards are considered vital in enhancing organizational workforce to add additional effort in workplace to enhance performance outcomes. An increased productivity is often said to be contingent on how well organizations rewarded employee that attain the set targets. Financial rewards constitute incentives earned by organizational workforce based on the effort put in to attain organizational goals. The rewards received by organizational workforce are contingent on organizational goals. When the goals are attained by employees, then rewards follow in an organization.

Wanjiru's (2017) examined whether incentives had influence on performance of employees at Equity Bank in Kenya. Descriptive design was used and the study population was 47 employees working at Equity Bank in Mount Kenya Region out of which 134 respondents were selected . the study made use of questionnaire for collection of data ant the relationship between the variables of interest was determined using Pearson's correlation coefficient. Financial compensation had a significant effect on job performance.

Tumwet, Chepkilot and Kibet (2015) investigated whether Financial Rewards had effect on performance of workforce in private Universities located in Kabarak University, Kenya. The unit of analysis is the staffers of Kabarak University. The population was small and as a result census approach was employed. The use of structured questionnaire for collection of primary data was employed and HR department of the university provide data obtained from the secondary source. Statistical methods such as Mann Whitney Utest, and factor analysis were used to analyze the data collected and through frequency, tables, and graphs, the results of the analysis were presented and interpreted. The study found that financial incented was significantly associated with workers' performance in a University setting in Kenya.

Njanja, Maina, Kibet and Njagi (2013) study examined the effect financial rewards had on the performance of employees in Nakuru, Kenya. Performance of employees on the design of the study was correlation design and data were drawn from the study participants who are 68 employees at managerial positions. Data that were drawn from the participants using questionnaire were analyzed using descriptive and inferential statistical methods. Through the use of Chi-square statistical method, it was found that cash bonus had no effect on performance of employees. The findings revealed that whether cash bonuses were received or not workers agreed that performance remained the same among the respondents.

2.3.2 Fringe benefits and employee performance

The study carried out by Robles (2018) was on whether employee fringe benefits had influence on satisfaction of employees in Nairobi. Descriptive design was used, and the unit of analysis was 1824 staffers in selected hotels operating in Nairobi, Kenya while the sample size was determined by stratified random sampling method. The use of structured questionnaire for collection of primary data aided the collection of adequate data. The study found that reward system measured had positive effect and significantly related to employee satisfaction. The conclusion derived from the study dwelled on the need hotels in Kenya to employ financial benefits as a strategy to induce employees' interests at workplace.

Kamau (2013) did a study to find whether fringe benefits significantly or not relate to the productivity of employee in public sector in Nairobi County, Kenya. It was in a Water Resources Department in Nairobi City County, Kenya. The study dwelled on descriptive research as a design and the study population was 189 respondents. Questionnaire was adopted in the study as a method of data

collection from the primary source, and in addition data were also obtained from the secondary source. Drawing from analysis of data, it was found that security benefits and meal allowances had a positive and significant contribution to the productivity of employees in public sector in Kenya.

Lin, Yao and Zhao (2014) conducted investigation into how fringe benefits exert influences on performance of firms in China. Drawn from social exchange theory, a significant effect fringe benefits and performance of firm was investigated in 324 firms with different ownerships in China. Factor analysis was employed in the study to determine the dimensions and it was confirmed that the dimensions of benefit scheme had overall effect on associated with performance of firms in China. The study found that the relationship between fringe benefit and performance of firms was indirectly explained by behavioral outcomes resulting from psychological consequences of employees.

Ju, *et al.* (2016) investigated whether employee fringe benefits had effect on organizational commitment in a food manufacturing industry in Kedah, Malaysia. The study determined 161 employees as a sample size of the study from 51 food manufacturing industries that form the study unit of analysis. Data collected were analyzed and the results indicated that health insurance and pension schemes as types of fringe benefits significantly predicted commitment at organizational level.

Mugaa, *et al.* (2018) fronted study on the effect that Fringe Benefits had on Performance of employees in deposit banks in Nairobi, Kenya. The philosophy adopted in the study was positivism, and the unit of analysis consisted of the employees of six selected banks in the study area. Structured questionnaire employed as an instrument of data collection and data were obtained from both clerical and management staff. Data were collected from primary source and were quantitatively analyzed using analytical software of SPSS. It was found that a significant effect was established in the examination of the linkage between fringe benefits and performance of employees.

2.3.3 Recognition schemes and employees' performance

Kathure's (2014) examined the effect of recognition on employee commitment in a public sector such Kenya tea development agency. The study unit of observation was 294 employees who are working in the Tea Agency. Probability sampling technique such as stratified was employed to select the study respondents. Data were collected in this study from the primary source and those data were analyzed using descriptive statistical method. Drawing from the analysis, the study arrived at a conclusion that employee recognition, development opportunities, and career development were tools that can be used to motivate employees towards attaining the stated goals of an organization.

Ahmed, Mohamed, Oyagi and Tirimba (2015) investigated whether employee recognition could influence productivity of employees in Somaliland. The study had a total population of 141 employees working at the Ministry of Finance in Somaliland and this formed the unit of analysis of the study. The use of descriptive design was employed and the method of respondent's selection was stratified random method and the collection of data was done using questionnaire method. Primary data collected were analyzed and it was found that productivity of employees was influenced by recognition, working condition, and training.

Muchiri (2016) investigated the effect of recognition on employee performance in hospitality industry in Nairobi County, Kenya. The focus of the investigation was to determine the effect of rewards on performance of employees. The study operationalized intrinsic rewards using indicators such as recognition and trust. The study adopted descriptive research survey design and data collected were descriptively and inferentially analyzed. The results of the analysis indicated that a significant effect of employee recognition was found on performance of employees.

2.3.4 Career progression and employee's performance

In Bicaaj and Treska's (2015) study, the effect that professional development of teachers had on quality of teaching in primary schools in Pakistan was investigated. The design of the study was exploratory research design. The study unit of analysis was 3800 teachers out of which 380 teachers formed the sample size of the study. Data collection was done with the aid of questionnaire method.

The study used Chi-square statistical method to determine the test of hypothesis in the study. It was found that career development had a significant effect on teacher's quality of teaching.

Kakui (2016) studied the relationship between career progression and performance of employees in the public sector, with focus on National Cereals and Produce Board. Descriptive survey research design was used in the study. The population target was made up of 200 workers in National Cereals and Produce Board head office in Nairobi. Stratified sampling method was used to arrive at 100 samples of respondents while primary data was used and collected using structured questionnaires. Study results indicated that career growth and development influence the level of employee performance in the public sector.

2.4 Literature reviewed and Research Gaps

Author(s)	Study Title	Findings	Research gaps	Focus of the current study
Wanjiru (2017)	Influence of incentives on employee job performance	Significant effect of financial incentives was found on performance	Conducted in a single bank	Focuses on selected banks
Turnwet, et al (2015)	Effect of incentives and employee performance	Positive relationship existed between incentives and employee performance	Focused only on academic institution	Focuses on financial institutions
Robles (2018)	Effect of benefits on employee satisfaction	Employee benefits had effect on satisfaction of employees	Other variables determining satisfaction were not explored	Focuses on exploring other variables to determine satisfaction of employees
Kama (2013)	Effect of benefit on productivity of employee	Benefits had significant effect productivity of employees in public sector	Focused only on employees in public sector	The focus of the current study is on commercial banks
Ahmed, et al (2015)	Effect of motivation on productivity of worker	Non-motivation had significant effect on	The study was done using data in Somaliland	The current study focuses of collecting data from

		productivity of employees		Kenya context so as to generalized findings
Ju, et al (2016)	Effect of benefit on commitment of employees	Fringe benefit had influence on commitment of employees	Focused only on commitment of employees	The current study will dwell on performance of employees
Mugaa, et al (2018)	Effect of fringe benefit on performance of employee	Positive and significant relationship existed between fringe benefit and performance of employees	Other variables apart from employee benefits were not examined in the study	Focuses on exploring other variables to determine performance of employees
Bicaj and Treska (2015)	Effect professional development and quality of teachers	Career professional development significantly influenced the quality of teachers	Focused only on performance of teachers	Focuses on performance of employees in banks
Dialoke & Nkechi (2018)	Effect of career growth on performance	Career growth had significant effect on performance	Focused only on non-teaching	The focus of the current study will be on employees of commercial banks

Source: Research Author (2021)

2.5 Conceptual Framework

This is drawn to explained how the predicting construct of reward system is related to performance of employees. The reward system is operationalized as a composite variable measured with indicators such as financial rewards, fringe benefits, recognition schemes and career progression. The dependent variable is operationalized as employee performance.

The conceptual framework is depicted in Figure 2.1

Independent Variables

Dependent Variable

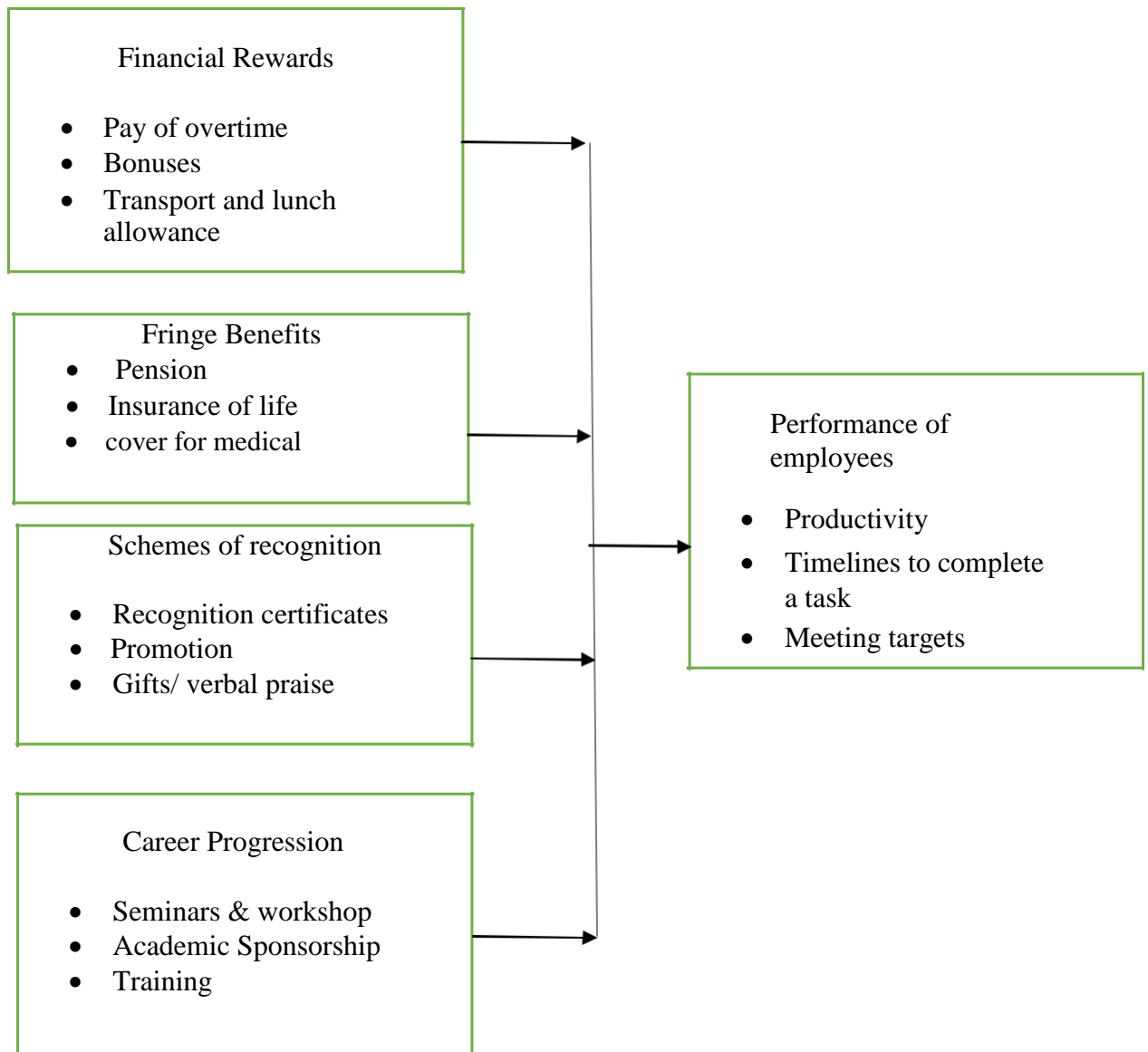


Figure 2.1 : Conceptual Framework

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The important aspect to be discussed will include the type of design to be employed and the justification for such design. The population of the study in respect to unit of analysis and unit of observation will be discussed. The process and procedures of data collection and how the data collected will be analyzed will also be discussed in this study. Thereafter, the ethical issues governing research study will also be discussed in this chapter.

3.2 Research Design

According to Zikmund, Babin and Griffin (2010), Research design specifies the plan and strategies for data collection, measurement and analysis. A research design indicates a guide or roadmap that illustrates how to address research questions or hypotheses in a study. As posited by Mugenda and Mugenda (2009) a good research designs must be able to show consistency between research questions and the methods needed to answer such questions. This study will employ descriptive research and the need to adopt it stems from the fact that the study will be quantitative in nature. Descriptive design will help in this study to explain the characteristics of the phenomenon under investigation (Ngugi2018).

3.3 Target Population

According to Ngechu (2004), target population is a set people, ideas, events, elements, and events, group of things or households or phenomenon under investigation. Population studies are more representative because everyone has equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (2013). The clerical and management staff of the selected bank under investigation will be the target population of this study. The entire population to be investigated will therefore be 357 employees from the 38 commercial banks in Kenya.

Table 3.1 The Distribution of the Target Population

Department	Population
Senior Management	38
HR Department	56
Corporate Department	68
Finance department	71
Customer Care	124
TOTAL	357

Kippra (2020)

3.4 Sample and Sampling Technique

Sampling is referred to as a subset of the population from where inferences can be made to influence informed decision about the entire population. The study will be based on simple random sampling technique to select a representative sample. This study also will also use proportionate stratified random sampling to determine the number of staff to participate in the study. In line with Mugenda and Mugenda (2013), 10% of a large population is adequate for a sample size whereas 30% of a small population is considered adequate as sample size. As such, 30% of the three hundred and fifty seven (357) employees will be selected, therefore 107 which is 30% employees will constitute the sample size of the study. See table 3.2 for sample size.

Table 3.1 The Distribution of the Target Population

Department	Population	Percentage	Sample
Senior Management	38	30%	11.4
HR Department	56	30%	16.8
Corporate Department	68	30%	20.4
Finance department	71	30%	21.3
Customer Care	124	30%	37.2
TOTAL	357	30%	107.1

3.5 Data Collection Instruments

As posited by Kothari, primary data constitute raw data that are gathered from the field which has not been subjected to any form of manipulations. Therefore, the instrument of collecting primary data will be through structured questionnaire with section A and B.

3.6 Data Collection Procedures

Data collection is the process of **gathering** and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes (Orodho, 2012). It allows for dissemination of accurate information and development of meaningful programmes. The questionnaires will be self-administered. The researcher will inform the respondents that the data being collected will be for academic purpose only and the response from the respondents will be kept confidential. The researcher will obtain an introductory letter from the University. In addition, permission from relevant authorities will be sought by the researcher so as be able to collect the volume of data needed to make and informed decisions in this study.

3.7 Pilot test

The essence of conducting a pilot study in a research is to the adequacy and consistency of item of instrument in relation to what they are supposed to be measured. A pilot study will be conducted in one the branch selected in this study in Kiambu County, Kenya. A total of 15 questionnaire will be given to staff of the bank to fill and data that will be generated from them will be analyzed to determine consistency of the instrument of this study.

3.8 Validity and reliability of data collection instrument

3.8.1 Validity of Research Instrument

Validity of research instrument indicates whether items of a study measured what it intends to measure. There is different validity measurement which include face, content, criterion, construct validities, and among others. Content validity measure the adequate coverage of the topic, face validity measures the subjective evaluation. Construct validity explains whether items of a study measure the underlying variables of interest in this study, face content, and construct validity of the study instrument will be ascertained.

3.8.2 Reliability of Research Instrument

Reliability of research instruments measures how consistent are findings of research items across studies over time. There are different ways of measuring reliability of research instruments; however, studies have largely determined consistency of instrument through results of internal consistency using Cronbach alpha. A Cronbach alpha value of 0.7 will be used.

3.9 Data Analysis and Presentation

Primary data will be collected in this study using questionnaire. Therefore, this data will be quantitatively analyzed using descriptive and methods of inferential statistics. In order to get the data analyzed, the study will make use of statistical software of Statistical package for social sciences. Employing this software will aid the use of multiple regression method to establish the relationship between the variables of interest in this study. The descriptive parameters like standard deviation and means will be used.

The regression equation that will be contextualized in this study is given as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Contextualizing the above regression equation, then it becomes:

$$EP = \beta_0 + \beta_1 FR + \beta_2 FB + \beta_3 RS + \beta_4 CP + e$$

Where;

EP= Employee performance

β_0 = Regression constant

$\beta_1 - \beta_2$ = Regression coefficient

FR = financial rewards

FB = Fringe benefits

RS= Recognition Schemes

CP= Career progression

e = Error term

3.10 Ethical Considerations

According to Jwan et al (2011) research ethics are the moral principles that guide a research study from its inception through to its completion and publication. The respondents will be assured of anonymity by asking them not to write their names on the questionnaires. The researcher will ensure that priority is accorded the privacy of the respondents.

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Appendix I: Introduction Letter

Dear Respondent,

RE: ACADEMIC RESEARCH PROJECT

I am a Masters student at Kenyatta University (KU). I wish to conduct a research entitled
***“REWARD SYSTEMS AND EMPLOYEES PERFORMANCE IN COMMERCIAL BANKS IN
NAIROBI CITY COUNTY, KENYA”***

I am requesting your assistance by helping to address the questionnaire in respect to the
above-named topic,

It is important to intimate that data information provided by you will strictly be treated for academic
purpose only.

Yours Sincerely

Faiza A.

Appendix II: Research Questions

Kindly tick appropriately

Section A

Demographic Information

1. Gender.....
Male or Female

2. Level of education Certificate
Diploma
Undergraduate
Masters
Others (specify).....

3. Kindly indicate the number of years your bank has been in operation. Below ten (10) years
10-15 years
16-20 years
20-30 years
Over 30 years

4. Kindly indicate the number of years you have worked in the bank sector. Below 10 years
10-15 years
16-20 years
20-30 years
Over 30 years

Section B: Financial Rewards

5. Parameter Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree and 5=Strongly Agree Tick as appropriate.

Key Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
There are bonuses paid in our organization					
There are contingent payments in our organization					
There are clear criteria for monetary reward criteria in our organization					
There are overtime payments in our organization					
There are transport and lunch allowances in our organization					
Am rewarded by my manager for putting extra effort in my work					
The salary commensurate the amount of work done					

6. In your opinion, how does financial rewards influence employee performance in your organization?

.....

.....

.....

Section C: Fringe Benefits

6. Parameter scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree and 5=Strongly Agree Tick as appropriate

Key Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The bank provides life insurance					
Our organization provides medical cover to all employees					
Fringe benefits increases my willingness to put extra effort in assigned task					
There are retirement and social benefits in my organization					
My fringe benefits are added when I work hard than before					
When a department perform exemplary well they are taken for a paid vocation					
Our organization provides security benefits such as meal, transport and house allowances					

8. In your opinion, how does fringe benefits influence employee performance in your organization?

.....

.....

.....

Section D: Recognition Schemes

5. Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree and 5=Strongly Agree

Tick as appropriate

Key Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The organization acknowledges and appreciate exemplary employees by giving them gifts					
Exemplary department and employees are awarded certificates and their names are displayed in the notice board					
Seeing my colleague being appreciated spurs me to perform better					
The organization acknowledges and appreciate exemplary employees by providing promotions					
Recognition and appreciation increases my morale to put extra effort than normal when doing my duties assigned					
Employees are happy about the verbal praise for exemplary performance in my organization					

9. In your opinion, how does recognition schemes influence employee performance in your organization?

.....

.....

.....

Section E: Career Progression

5. Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree and 5=Strongly Agree

Tick as appropriate

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
There is opportunity for personal and professional growth in all positions					
Employees who have progressed in their career in our organization is given more responsibilities.					
There is mentorship programs for all employees					
Our organization offers academic sponsorships to employees					
Our organization schedules seminars and workshops to keep employees abreast with advancements in the banking sector					

Employee training helps all staff in improvement in performing their tasks and duties assigned					
--	--	--	--	--	--

10. In your opinion, how does career progression influence employee performance in your organization?

.....

.....

.....

Section E: Employee Performance

5. Parameter Scale: 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree and 5=Strongly Agree Tick as appropriate

Key Statements	None extent	Low extent	Moderate extent	Large extent	Very Large extent
Our organization productivity has improved over the last five years					
Quality of services rendered by our employees to customers improved over the last 5 years					
Service quality rendered by our employees to customers over the last five years has greatly Improved.					

over the last 5 years employee's target achievements have improved					
Employees' competencies are in line with the organizational operational and strategic goals					
Mast of our staff work Independently with high performance					

Appendix III: Work Plan

Activity	Time										
	March - April 20	Ma y- Jun e 20	Jul y- Au gus t 20	Sep - Oct 20	Nov 20	Dec 20	Jan 21	Feb – mar	April 21	May – June 21	July 21

APPENDIX IV: Budget

TASK	COST
Printing of proposal	15,000
Photocopying	6,000
Data collection	30,000
Sorting and coding	10,000
Analysis of data	20,000
Biding of reports	12,000
Article's publication	20,000
Budget	10,000
Total Budget	124000