

Financial and Non-Financial Rewards and Its Impact on Employee Performance in the Banking Sector of Pakistan

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ABSTRACT

The predominant asset for any organization is human resource, allowing remaining competitive in this fast-forward condition. The most difficult challenge experienced by banks in Pakistan is the acquisition and retention of right workforce. In this regard, this study aims to examine the association between the job performance and incentives of Pakistani banking employees. A quantitative research design is incorporated to collect primary data from six leading banks in Pakistan. A total of 180 employees were included from these banks based on random sampling technique. Pearson correlation and regression analysis are employed to examine the primary data using SPSS software. The findings have shown a positive association of financial and non-financial incentives to enhance the job satisfaction and task performance of employees. The consequences also show impact of high perks, supportive management and career growth opportunities on the employees' performance. It has been concluded that managers should endow rewards to current and active employees. Similarly, managers should engage employees in decision-making process to increase their loyalty and morale toward the organizational development.

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INTRODUCTION

An important role has been played by banking industry in stabilizing the economic conditions and the entire development of the country. Different research practitioners have also assessed and argued the progression of banking sector and its fundamental contribution as a financial mediator for evaluating different attributes of the banking industry. Therefore, it is important to examine different factors affecting the performance and development of banking employees. Furthermore, number of researchers in this context has been attracted to examine the rapid development of financial intermediaries within the world (Kroszner & Strahan, 2013).

An adverse impact has been adhered in the financial sector Pakistan recently, which ultimately causes a competitive position, lack of growth and augmented

deregulation in the primary demand of the country. In addition, an increase has been emerged in the complexity and completion as Pakistani government imposes the privatization of assorted banks. It is imperative that the banks must have trained and skilled workforce in this competitive scenario. This aspect is merely achievable through the recruitment of new and innovative workforce and the retention of prior employees with the profitable salaries (Reinhart & Rogoff, 2013).

There is a dearth of comprehension regarding the exact use of financial and non-financial indicators, affecting the performance of employees in Pakistani banking industry. In contrast, the increasing completion has imposed the management to utilize different lucrative strategies for the survival of bank and retention of employees in the banking industry. According to Maalik, Ahmed and Nazir (2015), the profitability of banks can be increased through high performance of employees that will be beneficial in the stiff competition of banking industry.

AIM OF THE STUDY

The study aims to investigate the financial and non-financial incentives on the performance of employees in banking sector of Pakistan. The study further share its insights in examining core incentives, leading to higher job satisfaction in the Pakistani banking industry. The significance of this study will be emphasized upon the bank management, involved in the development of reimbursement tactics. This study will also reveal the paucity of assorted banking policies, leading to the dissatisfaction of employees and job performance of employees.

Research Questions

Question 1: What are the financial and non-financial indicators affecting the performance of banking employees in Pakistan?

Question 2: How financial and non-financial indicators leading to employees' job satisfaction?

Question 3: How intrinsic and extrinsic incentives are problematic for the banking industry of Pakistan?

Hypothesis of the Study

H₁: Financial incentives are directly and positively related with employees' job satisfaction in banking industry.

H₂: Non-financial incentives and employees performance is directly and positively related

in banking sector.

H₃: Career growth, high perks and supportive management are directly and positively related to employees' performance in banking sector.

Significance of the Study

The significance of this study will be actualized from the understanding of financial and non-financial incentives that evaluate the employee performance specifically in the Pakistani banking sector. The significance of this study will be subjected to the business practitioners that are involved particularly in the performance evaluation of employees in manufacturing and banking industries. In particular, this study will be of vital significance in directing different banks of Pakistan in re-vitalizing the incentive systems and reveal its significance for employees.

LITERATURE REVIEW

Pakistan has attempted significant evolution and development in the banking sector. This progress is considerably beneficial in privatizing cohesive banking institutions and instigating their strategies in stakeholders and foreign banks. The banking sector of Pakistan has reported adverse adjustments since the independence of the country due to the irregularity in the economic and political environment and resources or uncertainty (Bowra et al., 2012; White, 2015; Haneef et al., 2012).

The privatization and development of financial intermediaries have witnessed restructured significance in the economic growth of developing countries. The economic growth and financial sector of the country is strongly associated. The instigation of market-oriented financial institutions is based on the supervisory institutions of banking industries in the new era of globalization. This consideration is beneficial in the centralized state-owned banking systems' development, which augmented stability in the regulations of banking and stimulating beneficial contest (Bowra et al; White, 2015; Haneef et al., 2012).

Kehoe and Wright (2013) have investigated the fundamental regulations of incentives allotment in terms of equity, need and equality. In contrast, the fourth important rule for the distribution of incentives was considered to be seniority in the designation. Anitha (2014) has also adhered that workforce are supportively engaged in the process of efforts and incentives. The efforts and contribution of workforce are immensely relied on the incentives' perception toward a specific task (Kehoe and Wright, 2013; Anitha, J.,

2014).

Shields et al. (2015) have examined the performance and thoughts of employees in the banking industry. The study has found that there is a positive behavior and attitude of employees toward the climate of incentives. In addition, the involvement of managers has been immensely reported with their staff in increasing the commitment and performance of employees toward the organizational objective. Karatepe (2013) has considered the norm of reciprocity and recommended that employee performance is subjected and relied on the competence of the company that allocate the fundamental needs of their employees and incentivize them accordingly to their skills and efforts. The incentives are reciprocated for employees in order to increase the social and emotional association between the management and employees (Shields et al., 2015; Karatepe, 2013; Kehoe & Wright, 2013).

Malik et al (2015) have investigated the importance of financial incentives in playing a significant role to enhance the culture, boosting the quality performance and motivation of employees. Grandey et al (2013) have proposed the improvement in the extent of incentives that allow the employees to act upon efficiently and effectively. Saeed et al (2013) have suggested that non-financial rewards including recognition of work, increase in holidays and appreciation can improve the perception of employees in actualizing the care and support of their organization. They vital debate alongside the financial incentives is that they can possess the extrinsic behavior of employees and reduce self-determination and intrinsic motivation (Malik, Butt & Choi, 2015; Grandey, Chi and Diamond, 2013; Saeed et al., 2013).

Grandey et al (2013) imposed that actual and expected incentives are positively and directly related with the job satisfaction. The non-financial rewards such as career development, recognition, and opportunity to learn new skills directly lead to employees' satisfaction. Similarly, financial rewards also indicate monetary allowances, bonuses and vacation tours to lead employees' satisfaction. Herzberg (1959) indicated that dissatisfaction is the opponent of the satisfaction. Workplace environment, pay scale of employee, relationship of individual with colleagues, feedback received by employees, relationship of managers with employee and policies and strategies are six major determinants leading to job dissatisfaction (Hofmans, De Gieter and Pepermans, 2013; Grandey, Chi and Diamond, 2013).

RESEARCH METHODOLOGY

This study has incorporated quantitative and causal research design to investigate the influence of rewards in terms of financial and non-financial aspects on banking industry employees in Pakistan. The intention behind using this research design is to collect data primarily from employees of banking sector. In addition, causal research design allows the researcher to investigate the cause and effect association between the study variables. The independent variables of the study are financial and non-financial rewards and dependent variables are job satisfaction and performance of employees. Moreover, high perks, career growth, and supportive management are other variables used as financial and non-financial rewards.

A self-structured questionnaire has been designed to collect primary data from all satisfied and unsatisfied employees of selected banks. The selection of banks has been done through convenience sampling method. The final sample of respondents has been selected through random sampling. The distribution of 180 Likert scale questionnaires was done in six leading banks of Pakistan. The satisfied and unsatisfied employees of banks were the key stakeholders of this study. Moreover, a board of directors and management of selected leading banks were also the focus respondents of this study.

The questionnaires were delivered personally by the researcher to the employees of the selected banks. The respondents were asked to select the appropriate option from the range given between the strongly agree to strongly disagree. A pilot testing has been conducted before the conducting the actual research. In the final sample, the self-structured questionnaires were provided to the employees of the selected banks after pilot testing. Therefore, the assertion of validity and reliability has been fulfilled through the data. A Statistical Package for Social Sciences (SPSS) version 20 has been used to analyze the data. Moreover, Pearson correlation and linear regression test were used to examine the relationship between the financial and non-financial incentives and performance of banking employees.

RESULTS AND DISCUSSION

Hypothesis 1

Table 1: Correlation between High Perks and Cash Reward

		High perks make me perform well at my job and increase job satisfaction	I will be encouraged, whenever I receive cash reward or bonus for performing better.
High perks make me perform well at my job and increase job satisfaction	Pearson Correlation	1	.187**
	Sig. (2-tailed)		.005
	N	180	180
I will be encouraged, whenever I receive cash reward or bonus for performing better.	Pearson Correlation	.187**	1
	Sig. (2-tailed)	.005	
	N	180	180
**. Correlation is significant at the 0.01 level (2-tailed).			

The Pearson correlation analysis regarding high perks and cash reward has been indicated in the Table 1. The findings have shown a weak positive relationship between both variables. In addition, there was a statistically significant relationship between job satisfaction and financial rewards of banking employees.

Table 2: Correlation between Financial Rewards and Employees Satisfaction

		Offered financial rewards are relevant and significant enough towards performance and motivation of employees.	Rewards offered by the bank are satisfactory and boost morale of employees.
Offered financial rewards are relevant and significant enough towards performance and motivation of employees.	Pearson Correlation	1	.213**
	Sig. (2-tailed)		.003
	N	180	180
Rewards offered by the bank are satisfactory and boost morale of employees.	Pearson Correlation	.213**	1
	Sig. (2-tailed)	.003	
	N	180	180
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 2 has shown a weak positive relationship between variables. In addition, the p-value of .003 reflects that there is a strong and positive relationship between financial rewards and job satisfaction of banking employees.

Table 3: Impact of Financial Rewards on Performance and Motivation of Employees

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.840	.267		6.880	.000
	Offered financial rewards are relevant and significant enough towards performance and motivation of employees.	.301	.086	.253	3.487	.004

a. Dependent Variable: High perks make me perform well at my job and increase job satisfaction

Table 3 has shown a significant relationship between financial rewards and the job satisfaction. The study rejects the null hypothesis and accepts the alternative hypothesis since the p-value was less than 5% level of significance.

Hypothesis 2

Table 4: Correlation between Non-Financial Rewards and Appreciation of Work

		Non-financial reward components had an important influence on my job performance.	Praise and appreciation of work is enough for me to perform even better
Non-financial reward components had an important influence on my job performance.	Pearson Correlation	1	-.114
	Sig. (2-tailed)		.043
	N	180	180
Praise and appreciation of work is enough for me to perform even better	Pearson Correlation	-.114	1
	Sig. (2-tailed)	.043	
	N	180	180

Table 4 has shown a weak and negative relationship between the aforementioned variables. The relationship between the non-financial rewards and performance of banking employees is statistically significant since the p-value is 0.043.

Table 5: Correlation between Self-Actualization and Workplace Training

		As an employee I value self-actualization and personal development more, rather on financial security.	I feel that workplace training opportunities encourage me to work better.
As an employee I value self-actualization and personal development more, rather on financial security.	Pearson Correlation	1	.099
	Sig. (2-tailed)		.285
	N	180	180
I feel that workplace training opportunities encourage me to work better.	Pearson Correlation	.099	1
	Sig. (2-tailed)	.285	
	N	180	180

Table 5 has indicated a weak positive relationship between aforementioned variables. In addition, there is an insignificant relationship between job performance and non-financial rewards of banking employees.

Table 6: Correlation between Appreciation and Positive Feedback

		Praise and appreciation of work is enough for me to perform even better	My leaders give me positive feedback on my work.
Praise and appreciation of work is enough for me to perform even better	Pearson Correlation	1	-.273*
	Sig. (2-tailed)		.030
	N	180	180
My leaders give me positive feedback on my work.	Pearson Correlation	-.273*	1
	Sig. (2-tailed)	.030	
	N	180	180

*. Correlation is significant at the 0.05 level (2-tailed).

Table 6 reveals a weak and negative relationship between the selected variables. The findings further signify a statistically significant relationship between the non-financial rewards and banking employees' performance.

Table 7: Impact of Non-Financial Rewards on Employees' Self-Actualization

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.770	.153		5.015	.000
	As an employee I value self-actualization and personal development more, rather on financial security.	.654	.049	.709	13.415	.004

a. Dependent Variable: Non-financial reward components (such as professional-personal life balance, learning and career advancement opportunities) had an important influence on my job performance.

Table 7 signifies a significant relationship exist between the non-financial rewards and job performance of banking employees. The study rejects the null hypothesis and accepts the alternative hypothesis since the p-value is less than the 5% level of significance.

Hypothesis 3

Table 8: Correlation between Employment Conditions and High Perks

		I am happy about the employment conditions in my bank.	High perks, supportive management, and career growth are not the major factors that affect the performance of employees
I am happy about the employment conditions in my bank.	Pearson Correlation	1	.347**
	Sig. (2-tailed)		.004
	N	180	180
High perks, supportive management, and career growth are not the major factors that affect the performance of employees	Pearson Correlation	.347**	1
	Sig. (2-tailed)	.004	
	N	180	180
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 8 has shown a weak positive relationship between the aforementioned variables. In addition, the relationship between rewards and performance of banking employees is statistically significant since the p-value is 0.004.

Table 9: Correlation between Amount of Salary and Financial and Non-Financial Rewards

		I receive right amount of salary for my work.	The allocation process of financial and non-financial rewards is fair in my bank
I receive right amount of salary for my work.	Pearson Correlation	1	.303**
	Sig. (2-tailed)		.003
	N	180	180
The allocation process of financial and non-financial rewards is fair in my bank	Pearson Correlation	.303**	1
	Sig. (2-tailed)	.003	
	N	180	180

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

Table 9 indicates a weak and positive relationship between the aforementioned variables. The findings have shown a statistically significant relationship between job performance and rewards of banking employees.

Table 10: Impact of High Perks on Job Satisfaction of Employees

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.201	.126		1.600	.0111
	High perks make me perform well at my job and increase job satisfaction	.880	.041	.848	21.347	.010

a. Dependent Variable: High perks, supportive management, and career growth are not the major factors that affect the performance of employees

Table 10 has shown a significant impact of high perks on employees' performance. The study rejects the null hypothesis and accepts the alternative hypothesis since the result is statistically significant at 5% level of significance.

Table 11: Results of Hypothesis

Hypotheses	Results
H ₁ : Financial rewards are significantly associated with job satisfaction of banking employees in Pakistan.	Accepted
H ₂ : There is a relationship exists between the non-financial rewards and overall performance of banking employees in Pakistan.	Accepted
H ₃ : High perks, supportive management, and career growth are the major factors that affect the performance of banking employees in Pakistan.	Accepted

DISCUSSION

The findings have shown significant financial and non-financial rewards contributed in the banking employees' performance. In addition, the significance of these rewards enhances the job satisfaction and morale of personnel. Moreover, the study has emphasized the benefits or rewards that employee acquired in the form of vacation tours, appreciation and bonuses. Thereby, these financial and non-financial rewards impact the entire performance of employees and augment the profitability of the bank.

Prior studies have signified that employees inclined to push their efforts to achieve incentives from their employers. For instance, Imran et al., (2014) have indicated that the employee's performance is augmented when they perceived that their efforts will be incentivized. In addition, it has been adhered that employees usually avoided their social responsibilities for achieving maximum profit at that time. Similarly, the findings of this study were supported with the results of Ishaq, Iqbal, and Zaheer (2009).

The findings have recommended that banking employees in Pakistan were satisfied with their current job environment and indicated that their employers endow them positive feedback on behalf of good performance and efforts. Similarly, Bartol & Srivastava (2002) have suggested that the instrument of rewards should be used to reflect the involvement of employees and their behavior toward their value toward the organization.

The non-financial rewards have influenced strongly the performance of banking employees as compared to financial incentives. Non-financial rewards have a higher performance to enhance the task performance of employees. On the other hand, the findings of the current study contradicts with the findings of Njanja et al (2013) who stated that the impact of financial rewards intervention is highly influential in manufacturing setting organizations than the service organizations.

It has been witnessed from different studies that it is important to examine the

factors contributing to the job performance and satisfaction of employees. It has been proposed by Li et al (2012) that both actual and expected rewards are immensely associated with the job satisfaction of employees. Learning of new skills and non-financial rewards are immensely the reliance factors for this relationship. The present study has revealed that the banking employees' performance in Pakistan is strongly affected by career growth opportunities, supportive management and high perks.

The performance of employees in Pakistan is strongly impacted by both financial and non-financial rewards provided by the banks management. In addition, the distribution of commission and target based job are also important in improving the task performance of banking employees. Thereby, it has been recommended from the findings of all three hypotheses that the bank management should endow attractive perks for employees to augment their job satisfaction and overall task performance.

CONCLUSION

The aim of this study is to examine the influence of rewards in terms of financial and non-financial rewards on the performance of employees in the banking sector in Pakistan. The findings have asserted that policies should be developed that are of great interest for employees in the banking sector based on the escalating contest in the banking sector of Pakistan. Moreover, attractive compensation policies should be integrated that has augmented after the contribution of foreign banks in the Pakistani market. Banks are paving their progress in restructuring the policies that are important in expanding employees' career growth. Thereby, current employees should be retained based on these financial and non-financial rewards for lasting period.

The findings have revealed that job performance of banking employees is significantly increased through financial incentives. Moreover, findings also revealed that non-financial rewards from managers increase the performance of employees. In addition, the morale of employees is enhanced through both intrinsic and extrinsic rewards. It has been recommended that career growth opportunities, supportive management and high perks are the significant factors that improve the job performance of employees in banking sector of Pakistan.

Based on the findings of this study, it has been recommended that financial and non-financial rewards should be considered in the banking sector of Pakistan. Moreover, managers should endow appraisal and recognition to employees by actualizing their

needs and efforts regarding their important aspects of job and life. It is important that banks management should integrate their operating procedures since procedural justice is essential to increase the job satisfaction of employees. Moreover, it has been recommended that managers should engage employees in the decision-making procedures since their practices and decisions would be beneficial in the development of the organization.

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