

Reward Management and Employee's Performance: Special Reference to Commercial Banks in Matara District in Sri Lanka

Sara M. H. H.¹, Sareena Umma M. A. G²

*Faculty of Management and Commerce
South Eastern University of Sri Lanka*

¹saraaiman1212@gmail.com, ²agsareen@seu.ac.lk

ABSTRACT

The banking sector play an important role in any country, there are state own banks and private banks. The private banks in Sri Lanka play a chief role and most of the customers count on private banks. There is a communal view about the customer service quality of the private banks is higher than public banks. Therefore, they have massive responsibility on their customers. The main objective of the study is to explore the impact of reward management on employee's performance. The study considers the Commercial Private Banks employees employed in Matara district and the total population entailed of 340 employees from five private banks in Matara district. From this population the researchers selected 100 employees as sample by using stratified random sampling, in order to collect the primary data through self-assessment questionnaire. The validity and the reliability of the questionnaire were satisfactory.

The results of the correlation analysis displayed a strong positive correlation ($r= 0.603$) between reward management and employee's performance. Further a sturdy positive correlation ($r= 0.757$) exist between extrinsic reward and employee's performance and also a strong positive correlation ($r= 0.894$) exist between intrinsic reward and employee's performance at 0.000 significant level. The multiple regression results revealed that, R square and adjusted R square values were 0.603 and 0.565 respectively. Therefore 56% of variation in employee's performance explicates by both extrinsic and intrinsic reward management. The future researches can duplicate this study with the higher number of sample by covering all the private sector banks in Sri Lanka in order to generalize the findings. The management of private banking sector can consider the proper reward management system for their employees in order to enhance the employee's performance.

Keywords: Employees Performance; Reward Management; Extrinsic Reward; Intrinsic Reward.

Introduction

In today's world human resource have played a substantial role in all industry. Due to this every industry must consider about their worker's requirements than only the industry can hold the skilled employees for a long time on their job. Now a day's employees have more chance to exercise their aptitudes because of globalization so that every industry give better way to aid

employee desires to achieve.

Rewards is considered as one of the significant foundations to encourage employees for performing their best exertion to make innovative thoughts that tip to improved business functionality and additionally improve company performance as financially and non-financially too.

Therefore Armstrong (2009) reasons that reward administration are concerned with the growth of suitable organizational philosophies, supporting essential values, and growing the inspiration and obligation of employees. Furthermore, applies, which were active when they were presented, might corrupt as the organization changes or it reprobates. Reward management is thus is not only around cash, it is also considered with extrinsic, as well as intrinsic inspiration; with non-financial, as well as financial rewards. This chief to numerous mechanisms of reward management are the strategic reward, job assessment, market rate investigation, grade and pay structure as well as conditional wage (Ripley, 2002).

In a study directed by Berridge (2001), the scholar advises that managers must be mindful of 'no rewards. Such rewards must be used carefully and must not be used all the period. They are also defined to be inert, and they do not essentially central to positive actions in the long term. According to Sekaran (2003), employees who are talented in knowledge and obtain credit for their work are also intelligent to have a better brainpower of their work, their office, and the people they work for. Thus, there is a need for the boss to actually make an exertion in presenting the employee that his/her security is of concern to the organization and the management and that the involvement of the employee to the organization is highly appreciated. Performance management includes numerous stages of analysis and is clearly connected to the themes considered in strategic HRM as well as performance assessment. Unlike rapports mention to performance direction initiatives in organizations, for example, performance-based budgeting, pay-for-performance, planning, programming, and budgeting, and management by objectives (Guest, 2002).

In many situations tactics related with assessing performance are understood by managers as a system that aided an organization to alteration regular significances and usual ways of working and in so doing to modify its strategic direction. Hence, in situations where change cannot be

achieved by managerial declaration, assessment takes on the atmosphere of an engine of change. When managers look at evaluation from this angle they confidence that it will bring about a change in strategic way and organizational behavior. Accurateness is vital in appraisals. However, for raters to assess employees precisely, they should give impartial results. Unfortunately, accurate ratings are quite unbearable as researchers confirm that individual liking, look, former imitations, gender and race will surely manipulate assessments, that is, there will always be some kind of biasness (Armstrong, 2009).

Therefore, this study will inspect the impact of reward management on employee's performance in private banks which are situated in Matara district.

Research problem and questions

Rewards have been recognized as the greatest influential persuaders of performance that centrals to job satisfaction. In these days commercial environment rewards have become more vital than ever for numerous motives managers have fewer ways to inspire employees and figure their actions.

Managing reward is one of the policies used in banking sector to advance employees' performance. If their wants are content the staff would be inspired to perform efficiently. For organizational reward system is the most actual motivational tools accessible to organizations (Carlsen, 2003)

Reward management system is an essential role of human resource arena and is a tactical companion with company managements. Further, it has a significant role on worker performance. Barber and Bretz (2000) stated that reward management schemes have main influence on organizations ability to clasp, hold and inspire high possible staffs and as a consequence receiving the great levels of performance.

Academics, practitioners, and scholars have recognized that there is a constructive relation between reward management and anticipated performance. The management has recognized rewards in their banks these contain money bonuses in chase of growing employee's performance so as to safeguard speedy and excellence service.

However, the degree to which money bonuses only this inspire employee performance is not created. This study so meant at “defining the impact of rewards on employee’s performance among commercial private banking employees”. This argument increases the following precise questions,

1. What is the effect of reward management on employee’s performance in the banking sector?
2. How extrinsic reward effect on employee’s performance?
3. How intrinsic reward effect on employee’s performance?

Objectives of the Study

The objectives of this study are,

1. To find out the impact of reward management on employee’s performance in private banks in Matara district.
2. To identify the impact of extrinsic reward on employee’s performance
3. To identify the impact of intrinsic reward on employee’s performance

Literature Review

Reward establishes a major component in the management of human resources and it is fundamentally about scheming, applying, and upholding pay schemes which aid to advance organizational performance (Armstrong, 2009).

Reward management supposed to be the procedure of emerging and applying tactics, rules and schemes which aid the organization to accomplish its purposes by procurement and keeping the persons it needs and by growing their inspiration and obligation, The reward management system should therefore be intended to care the attainment of the organization’s plans; it should be created on an attitude of reward which ties the culture of the organization.

Subsequently, reward management in this respect is alarmed with the construction and application of approaches and strategies, the tenacities of which are to reward individuals justly, rightfully and reliably in agreement with their worth to the organization and consequently assist the organization to attain its strategic objectives. It contracts with the strategy, application and

preservation of reward schemes, reward practices and procedures, that purpose to meet the wants of together the organization and its shareholders (Berridge, 2001).

Amstrong (2009), consequently reasons that reward management is concerned with the growth of suitable organizational philosophies, supporting essential values and growing the inspiration and obligation of staffs. Moreover, applies, which were actual when they were presented, may debased as the organization changes or it reprobates. Reward management is so is not only about cash, it is also considered with extrinsic, as well as intrinsic inspiration; with non-financial, as well as financial rewards. This central to numerous mechanisms of reward management such as strategic reward, job assessment, market rate investigation, grade and pay structure also conditional compensation (Ripley, 2002).

According to Deeprise (1994) there are other resources to reward employees that do not just give attention on financial reimbursement. Some of these contain the admiration that employees are capable to obtain from their managers, the chance to yield on significant projects or responsibilities, and even headship consideration. According to different individuals have dissimilar insights of rewards. For example, some employees refer being identified by their leader as extra rewarding than financial inducements.

According to Gungor (2011) the banking industry needs staffs that are both content and inspired, for without them, customer gratification level would also be exaggerated. This knowledge is also maintained by Wright (2001) who upholds that social relations built between bank staffs and the customers are a big heavy power behind safeguarding that a customer is satisfied or dissatisfied.

Deeprise (1994) speaks that our awareness of motivation tells us that people do what they do to gratify some need before they do whatever therefore they look for payment or reward, rewards and their connection to motivation rewards comprise promotion, required work assignments and a host of other less clear payoffs. A worker reward system comprises of an organization combined guidelines, procedures and practices for rewarding its employees in agreement with their influence, skills, capability and their market value.

It is advanced within the context of the organization reward viewpoint, policies and plans and covers preparations in their form of procedures, habits, constructions and procedures that will deliver and uphold suitable types and stages of pay aids and other methods of rewards.

Armstrong, (2009) acknowledgements that the reward systems contain of monetary rewards (secure and adjustable pay) and employee benefits which composed include total payment. The scheme also includes non-financial rewards (credit, admiration, achievements, accountability and personal growth)

Deeproose (1994) contended that the inspiration of staffs and their output can be increased through delivering them actual gratitude which eventually outcomes in enhanced performance of organizations. The complete achievement of an organization is founded on how an organization saves its employees inspired and in what method they assess the performance of staffs for job reimbursement.

According to that the efficiency of an organization's performance and reward administration has an influence on ethical and output. Many organizations have originated that far from completing the specified goals of the business, their performance and reward systems were really pouring counter-productive performance.

On the other hand, "path-goal model" is unconditionally clarify the association between reward scheme and employee performance. The idea positions that "if a worker sees high output as a path foremost to the accomplishment of one or more of his individual goals, he will tend to be a high manufacturer. Equally, if he sees low productivity as a pathway to the attainment of his objectives, he will incline to be low producer. In other words, the worker would be inspired to spend a better amount of energy in his work if he touched his preceding exertion had resulted in his getting rewards"

Kopleman, (1996) labelled that job satisfaction of the employees' growth by the rewards they obtain from the organizations. Pay and promotion dependents on the performance and deliver sturdy inspiration for employees to work tougher in order to encouraged.

Respectable organizations are sustained to plan and allow the organizations to fascinate the extremely skilled and fit employee hold and inspiration towards objective and goals attain and greatest employee receiving is pay.

If the worker free that they have not receiving moral salary they cooking for better worker dissatisfaction with the reimbursement concerning goal achievement concerning goals completed to be inferior .Displeased employee enhancing the turnover, absents and poor mental fitness (Wright, 2001). The chief objective of reimbursement is that employee fascinated to work and inspired good job for employee (Daft and Weick 1984).

According to Grote and Grote (2002) the banking industry needs employees that are both content and inspired, for without them, customer satisfaction stages would also are affected. This knowledge is also reinforced by Adelman et al. who uphold that interactive relationships well-known between bank workers and the customers are a big powerful force behind guaranteeing that a buyer is satisfied or dissatisfied.

Scholars originate that among less general users of formal quality development practices; greater dependence on nontraditional messages and reward systems is allied with higher performance.

Organizations that emphasis on emerging an integrated rewards program that helps to advance answerability, flexibility, attraction, and retention brilliance; is well transferred; and giving expertise tools can add substantial shareholder worth.

What's more, the growth of a total rewards program in sustenance of the global rewards viewpoint warrants a strategic approach (Wright, 2001). Total reward is also a vital feature to be mentioned when some choice processes occur in an organization.

Studies have exposed that the reward procedure is a main switch or influence mechanism available to organizations. However, researchers do not approve on foreseeable influence on individual behavior, unless the individual/group objectives are considered. While there seem to be an arrangement that rewards should emphasis on achieving organization's goals, some conservational factors may help to control the subsequent effect. A proper thoughtful of the effect will help draw attention to the influence of reward on employee performance.

Employees should be mindful of the relationship between how they complete tasks and the rewards they acquire. Organizations should have performance administration agendas which contribute to scheduling employee performance, screen performance by achieving good measuring tools, it should be used as a method of establishment moral behavior among employees as well as efficiency.

Immediate rewards are prearranged to workers repeatedly so that they can be conscious of their outstanding performance. Immediate rewards comprise being acclaimed by an immediate superintendent or it could be a physical reward. Short period rewards are complete both monthly and quarterly base dependent on performance for instance; rewards contain cash assistances or special gifts for excellent performance. Long-term rewards are given to workers who have been execution well. Such an employee will develop faithful to his or her organization and it decreases employee turnover. Long term rewards comprise being made companion, or cash benefits that matured after several years of service or at retirement. These rewards are very tactical for retentive the best human resources.

Rewards can be used to advance performance by set goals in relation to the work assumed e.g. exceeds some sales aims. When the employee exceeds their target, he or she can be specified an added amount to their salary; this will make them attempt to attain more (Martinez, 1997).

Research has confirmed that when human existence is cherished and admired they tend to advance their performance. This is another way an organization can apply as a reward so as to advance performance. Admiration could be visible in the organization bulletin or in meetings. When managers take time to see and know employees who have achieved well, it plays a big part in attractive employees' performance (Tang and Baldwin, 1996). Organizations should reward employees more frequently. This importantly recovers performance associated to having the rewards maybe only once a year. This is because common rewards are simply related to the performance (Tang and Baldwin, 1996). Another method through which organizations can practice reward systems to upsurge productivity is by personalizing the reward. When rewards mind to be so general, employees do not worth them.

Organizations can use rewards to advance employee performance by integrating assessment or advancement for employees who have a virtuous record of performance. Managers should be on

lookout for staffs whose performance is fine. Guest (2002) found that money bonuses do not look to influence much on performance; those who obtain are just somewhat more satisfied than those who get no reward. Money bonuses had slight impact on company performance. Cash bonuses only look to make employees contented and to stop them from being displeased, but they do not appear to have an influence on employees' performance.

Individual job retaining choice in public and private sector, salary, and timely upgrade are two significant factors that disturb the performance (Sonnetag, 2002). Salary inspires the worker performances in which assessed employee satisfaction and promotion inspires the individual. The short-period and long-period rewards cheer the knowledge sharing culture in the organization and the employee is extra loyal towards their organization. Kopleman (1996) inspected that financial rewards inspire the knowledge distribution culture in the organization that directed to organizational performance.

Beyond that, according to this non-financial intrinsic reward such as the establishment of holidays, community benefits grow the employee motivation level.

Inequity reward system in an organization risks the employee's performance and efficiency and will create a conflict and worrying environment in the organization.

According to Gungor (2011) in banking sectors those staffs are needed that are pleased and motivated, exclusive of them the customer gratification cannot be won. Interactive relationship between bank employees and customer are a moral pointer to assess the customer satisfaction and dissatisfaction, describes three rules of reward distribution these are equity, parity and need add and they refer that superiority fourth rule distribution of reward. Armstrong (2006) state that reasonable salary with respect to their job work inspires the employees and them really feel satisfied.

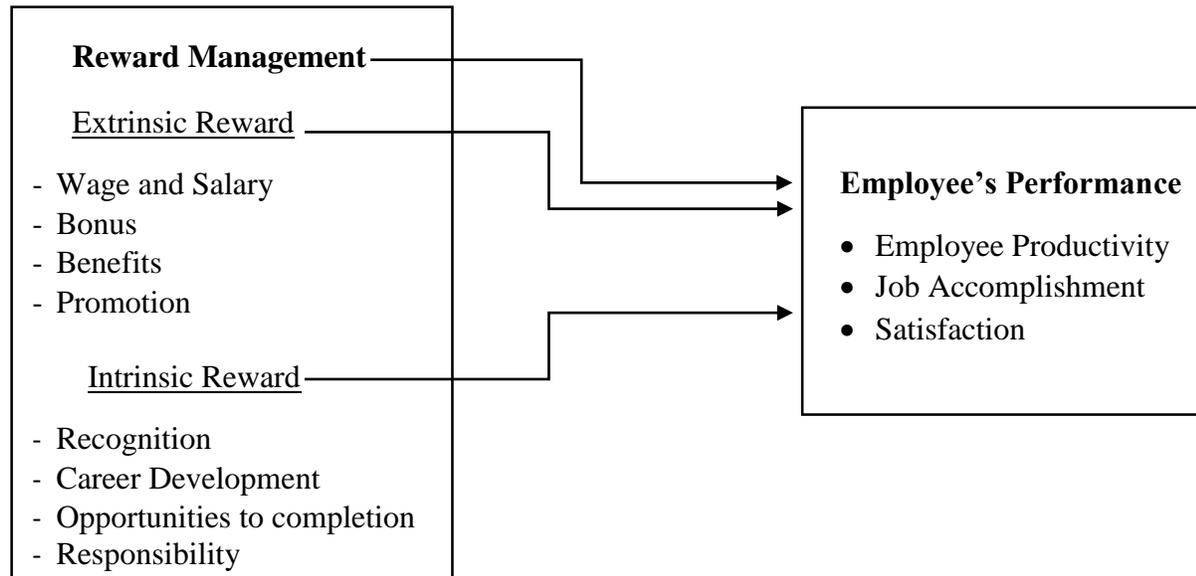
The Financial Rewards are a better inspiration features for the banking staffs. Performance grounded rewards providing to employee's equal chances. Financial rewards supportive in long term achievement because through monetary rewards the organization hold their most experience employees in the bank. When an employee feels that their attempt with rewarded, he

spend his all exertions to recover his job and discover the new way in which he gratify their customers.

Conceptual framework of the study

Independent Variables

Dependent Variable



(Source: Developed for this study)

Research Hypotheses

H1: There is a significance impact of extrinsic reward on Employee's performance

H2: There is a significance impact of intrinsic reward on employee's performance

H3: There is a significance impact of reward management on employee's performance

Significance of the Study

The research study is planned to find out the reward factors that manipulating on employee performance in private banks in Matara district. The findings will be valuable for the bank sector employees in this district to find out the reward management in banks and examines the private banks reward management scheme and how it impacts on employee performance.

The study is also meant to help the researcher to do the additional study with useful endorsement for the bank sector to be able to reward their employees.

Methodology

Population and sample

The population of the study contains with labors who are employed in approved commercial private banks in Matara district. The total population is 340 employees; the stratified random sampling has been used as sample technique. That means each member of the population has an equal opportunity of being include in the sample. As well as that each member of population likely to be selected at any stage in the sampling procedure. Sample of the study was 100 employees from commercial private banks in Matara district.

Data collection

Primary data collection approved out by distributing the self-assessment questionnaire to the respondents. The questionnaire offered in five points Likert scale form. The first part of the questionnaire contains of questions regarding respondents' personal information and the second part contains for collecting information on study variables.

Data analysis

The collected information from the questionnaires were assessed through reliability and validity, univariate and bivariate and multiple regression investigation. The Statistical Package for Social Science (SPSS) 25.0 was used to shorten the investigation work of this study. The researchers used univariate, bivariate, and multivariate analyses for the test of hypotheses and model fit.

Results and Discussion

Table: 1 Descriptive Statistics table of the variables

Variables	N	Minimum	Maximum	Mean	Std.Deviation
Intrinsic reward	100	4.20	5.00	4.8030	.19746
Extrinsic reward	100	4.00	5.00	4.7608	.17414
Employee performance	100	4.56	5.00	4.8932	.11091

(Source: Survey data)

The sample engaged for the analysis is 100 respondents. Individual data also recorded during the

study, the researchers used the mean and standard deviation as the measure of scattering for this analysis. The mean value of intrinsic reward, extrinsic reward and employee's performance are 4.8030, 4.7608 and 4.8932 respectively. It implied high level of intrinsic reward, extrinsic reward and employee's performance among respondents and they supposed the intrinsic reward extrinsic reward have impact on employee's performance significantly.

Table: 2 Correlation between independent variables and dependent variable

Variables	'r' Value	P Value
Extrinsic Reward and Employee's Performance	0.757	0.000
Intrinsic Reward and Employee's Performance	0.894	0.000
Reward Management and Employee's Performance	0.603	0.000
**. Correlation is significant at the 0.01 level (2- tailed)		

(Source: Survey data)

Pearson's correlation coefficient with two tailed tests of significance was considered in this study. Referring to the table 2 there is a significant positive correlation between all variables.

Multiple regression analysis

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760 ^a	.603	.565	.10965

Predictors: (Constant), extrinsic reward, intrinsic reward

(Source : Survey data)

Table Error! No text of specified style in document. ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.452	1	3.300	50.325	.000 ^b
	Residual	2.462	98	.042		

	Total	5.910	99			
--	-------	-------	----	--	--	--

- a. Dependent Variable: Employee Performance
 - b. Predictors: (Constant), extrinsic reward, intrinsic reward
- (Source : Survey data)

According to table 3, $R^2 = 0.603$ and the adjusted R^2 is 0.565, this denotes that 56.5% of the total variation in employee’s performance is clarified by reward management (i.e. extrinsic reward and intrinsic reward).

Hypothesis Testing

Extrinsic reward and employee’s performance, intrinsic reward and employee’s performance have a important relationship based on the descriptive and correlation statistics. The mean value of extrinsic reward is 4.7608 and intrinsic reward is 4.8030 for the questions that were tested with regard to the reward management. The correlation investigation exposed that there is a positive significant connection among extrinsic reward and employee’s performance, intrinsic reward and worker’s performance and reward management and employee performance. Hypothesis testing is tabulated in table in 5.

Table 5 Hypothesis Testing

Hypothesis	r Value	P Value	Results
H1: There is a significance impact of ER on EP.	0.757	0.000	Supported
H2: There is a significance impact of IR on EP	0.894	0.000	Supported
H3: There is a significance impact of RM on EP	0.603	0.000	Supported

(Source: Survey data)

Conclusion

The key persistence of this study was to conduct and experiential examination of impact of RM and EP among bank sector employees particularly in private banks. Rewards are comparatively high correlated with worker performance. The parallel declaration was completed by Phillips and Fox (2003) who designated that for worker performance to be optimal, the reward management applies should be merged in stripe with the greatness of their consequence on worker performance thus applies with the maximum result on employee performance that must

be specified advanced significance for the performance to be optimal.

Private Banks in Matara district used both extrinsic and intrinsic reward and both have better effect in employee's performance. The outcome of correlation analysis displayed that there is a optimistic significant connection of intrinsic and extrinsic reward on employee performance.

The purpose of the research is to recognize the association between reward management and employee performance. Researchers designated commercial private banks in Matara district to conduct this research. The questionnaire was established to gather information and selected 100 employees as sample of research which roofed managerial, decision-making and banking secondary employees.

The current study explored whether reward management impact on employee's performance of banking employees in Matara district. Data were gathered from 100 employees using self-assessment questionnaire. Reliability and validity of the measure was tested and collected data were examined using SPSS 25.0. According to the regression analysis, ER and IR show 57%, 58% impact on total variance of employee performance.

According to the multiple regression analysis $R^2 = 0.603$ and the adjusted R^2 is 0.565, this states that 56.5% of the total variation in employee's performance is described by reward management. As well as according to the correlation analysis there is strong positive significant connection among reward management and employee performance. So, reward management significantly assists to obtain positive employee performance.

Suggestions for future research

Future researchers also can make effort to examine the impact of reward management with other consequence variable such as job satisfaction, work performance, job involvement and organizational commitment. The researchers could be research consuming different sample with a greater population and the future researcher could be using the influence of reward proceeding on employee's performance in a designated industrial organization also.

References

Armstrong M. (2009) *Armstrong's handbook of reward management practice: Improving performance through reward*. Kogan, Page Publishers.

Armstrong, M (2006), a Handbook of Human Resources Management Practice, 10th edition, Kogan Page, London.

Barber, A. E., and Bretz, R. D., Jr (2000). Compensation, attraction and retention. *Compensation in organizations*. San Francisco, CA: Jossey- Boss

Berridge C. (2001) Reward Learning; Reinforcements, incentives and expectations, *The Psychology of Learning and Motivation*, vol. 40

Carlsen, K. (2003). Sales motivation: one size does not fit all. *Selling*, 14 – 15.

Daft, R. L., and Weick, K. E. (1984). Toward a model of organizations as interpretation systems. *Academy of Management Review*, 9(2), 284 – 295.

Deeprouse, D. (1994). How to Recognize and Reward Employees.(p. 11) New York. NY: AMACOM, American Management Association.

Gungor, P. (2011). *Sciencedirect*. Retrieved from <http://www.sciencedirect.com>

Guest D., 2002, Guest's *model of human resource management* UK:

Grote, R.C. and Grote, D. (2002). *The performance appraisal question and answer book: A survival guide for managers*. New York: Broadway.

Kopelman, R. (1996). *Objective Feedback: Generalizing From Laboratory to Field Settings*. Lexington: Lexington Books Publications.

Martinez, M. (1997). Rewards Given the Right Way. *HR Magazine*, 42-116.

Ripley D. (2002) Improving Employee performance: Moving beyond Traditional HRM, *The International Society of Performance Improvement*

Sekaran, U. (2003). *Research methods for business: A skill building approach*. 4th Edition. New Jersey: John Wiley and Sons, Inc.

Sonnentag, S.A (2002) *Performance concepts and performance theory: Psychological Management of Individual Performance*. Chichester: Wiley.

Tang, T.L and Sarsfield Baldwin, L.J. (1996) Distributive and procedural justice as related to satisfaction and commitment. *SAM advanced management journal*, 61(3), 25-31.

Wright, P. C. (2001) Human competency engineering and world class performance: a cross – cultural approach, Cross Cultural Management. *An International Journal*, 8(2), 25-46.