THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

The Relevance of Financial Incentives on Employee Motivation in Nigeria

Olamilekan Peter Dada
Student, Department of Business, Istanbul Aydin University, Istanbul, Turkey

Abstract:
In capturing the relevance of financial incentives on employee motivation in Nigeria this paper is using GT bank as a case study. A primary form of data collection was employed where raw information was gathered via questionnaire and codified in numerical form for statistical analysis. Meanwhile, more than 230 questionnaires were distributed to the participants, though 230 questionnaires were validly filled. Correlation and regression analyses were used and reported that pay and allowance exhibits a negative and insignificant impact on employee motivation, bonus incentives can influence employee motivation positively and significantly, promotion incentives contribute positively and significantly to employee motivation, and retirement benefits could impact employee motivation positively and significantly. It was concluded that a weak positive connection exists between employee motivation and pay and allowance, weak positive and significant connection exists between employee and bonus incentives, weak positive correlation and significant connection exists between the variables, and weak positive and significant correlation between employee motivation and retirement benefits.

Keywords: *Financial incentive, employee motivation, retirement benefits, and bonus incentives*

1. Introduction

The impact of a motivated staff in improving organizational performance cannot be downplayed. Aside from financial compensation, the employee expects to be recognized and appreciated for hiswork andcontributions. Incentive strategies are quickly being a common method for attracting, encouraging, promoting, and retaining workers in an organization. Employees are more likely to be satisfied with their jobs in organization that give effective incentives. Employees serve as the bedrock of every business (Ibrahim &Brobbey, 2015). To be successful as a business requires the commitment and sacrifice of employees. Different organizations are created to accomplish a certain objective and this objectivecan be accomplished by recruiting and maintaining skilled humans' capital. To pursue the corporate objectives and goals, a range of motivating mechanisms must be implemented to motivate employees to make the best of their work environment. Additionally, organizational goals and objectives require certain motivational factors to spur employee performance. Jesop (2005) highlighted that, motivation brings employees closer to the organization. Furthermore, if needs of employees are met through attractive incentives, promotional opportunities, and bonuses, employees begin to take more interest in their organization. They begin to think that there is no difference between the interests of the organization and their interests. This helps in developing cordial relations between management and employees. Both financial and non-financial incentives aim to encourage people to participate and keep them driven to a high level. Motivational incentive schemes have therefore been described as the most widely implemented strategy of many businesses (Cheema, Shujaat, &Alam, 2013).

2. Literature Review

Financial Incentive is carried out as an indicator of the company's commitment to its workers. Incentives are also meant to inspire workers to do more job, which contributes to the fulfillment of the company's goals. According to Dessler (2014), financial incentives are bonuses or responses in the context of a financial feature paid to people whose production level meets the specified criteria. In a study conducted by Acib and Adewoye, (2014) on financial incentives and employee's productivity in among the Nigerian Electricity Companies. They reported that while workers receive certain financial incentives and possibilities for promotion at work, they are still not happy with the financial incentives, the quality of operation and the partnership between management and employees. Yousaf, Latif, Aslam and Saddiqui (2014) wrote on the connection between financial and non-financial incentives on motivation in Pakistan using both qualitative and quantitative methods and found that there are various causes that influence the morale of employees, which can be divided into two categories.; monetary and non-monetary incentives. Rakshana and Gaffoor (2014) carried out an investigation on financial, non-financial and employee motivation in Sri Lanka using descriptive statistic and showed that strong connection exists between motivative factors and employee performance.

Hameed et al., (2014) examined compensation and its impact on performance of the employee in the Pakistani banking sector. They employed descriptive analysis and found that positive association occurred between compensation

and employee performance during the study period.Zameer, Ali, Nisar, and Amir (2014) conducted a survey in Pakistan on motivation and employee performance using correlation and regression analysis. The study showed that incentive plays a critical function in the success of workers.Novianty and Evita (2018) examined the financial and motivation of employee in Indonesia. Regression test revealed that incentive arrangement predictor has a positive impact on individual performance. Nizam and Shah (2015) wrote on the connection between motivation and performance in Pakistani Oil and Gas. The study used correlation and regression analysis and displayed that by evaluating the performance of jobs and understanding the success of workers and encouraging them by providing them the appropriate incentives, employees are fulfilled and thus their degree of productivity expands and improves the efficiency of the company. Ibrahim and Brobbey (2015) examined motivation impact and employee performance in Ghana. They used frequency analysis and showed that influence of inspiration on performance as increase the level of productivity of employees, encouraging workers to achieve their personal objectives, rewarding workers and helping them to connect with the company. Chukwuma and Okafor (2014) studied the motivation effect on the productivity of the employee in Nigeria using descriptive and inferential statistics. It has been discovered that the purpose of incentive is to make people put their best efforts with passion and productivity to achieve and eventually exceed the corporate goal.

Tefera and Mutambara (2016) evaluated the effect of organizational changes on employees' motivation in South Africa and This has proven that management has not provided incentives for staff to take part in decision-making. Kuranchie-Mensah and Amponsah-Tawiah (2016) examined employee motivation and its impact on performance in Ghanaian Mining Companies. The study found that employees are quite well encouraged to reduce the rate at which employees are engaging in labor strife impacting efficiency. Calvin (2017) analyzed remuneration impact on the performance of the employee in Nigeria using multiple regression and correlation test. It revealed that There is a clear and beneficial link between remuneration and success of workers and the salaries and incentives often act as a source of encouragement for employees.Rathnayaka and Madhuhansi (2018) studied employee motivation effect on performance in Sri Lanka using factor analysis, reliability test and regression test. They found that issue of demoralized actions of workers due to different factors, which derive primarily from the management structure.

3. Methodology

Primary data was employed in the form of questionnaire which was constructed using the Likert's rating scale of 5 points that is SA = Strictly Agree, PA = Partially Agree, NS = Not Sure, PD = Partially Disagree, SD = Strictly Disagree. The target population was conveniently10 employees from 10 GTB branches in Lagos State, Nigeria.

To achieve the stated objective in this study, a mathematical functional model shall be used where employee motivation will be a function of financial incentives. However, the model is specified below:

EM = f(PA, BI, PI, RB)

Where:

EM = Employee Motivation

PA = Pay and Allowance

BI = Bonus Incentives

PI = Promotion Incentives

RB = Retirement Benefits

The mathematical model is presented as follows:

EM = $a0 + a_1PA + a_2BI + a_3PI + a_4RB + et$--------------------------eq1

4. Findings

4.1. Reliability Report

Cronbach's Alpha	N of Items
.808	20

Table1: Reliability Statistics
Source: SPSS Output

The scale measurement used in this study was subjected to reliability testing. There are 20 items in questionnaire and the reliability testing was conducted through Cronbach alpha test which reported that the 20 items show the Cronbach value of 0.808, indicating that the whole questionnaire has above 80% consistency to capture the subject matter.

The factor analysis reported in the appendix shows the variance explained of each of the scaling measurement. The component 1 could explain about 28% of the subject matter, component 2 to 4 could explain above 50%, implying that the element in the questionnaire can explain the study discussion.

4.2. Correlation Report

		Employee Motivation	Pay and Allowance	Bonus incentives	Promotion incentives	Retirement benefits
Employee Motivation	Pearson Correlation	1	.022	.258**	.335**	.135*
	Sig. (2-tailed)		.738	.000	.000	.041
Pay and Allowance	Pearson Correlation	.022	1	.192**	.105	.200**
	Sig. (2-tailed)	.738		.004	.112	.002
Bonus Incentives	Pearson Correlation	.258**	.192**	1	.464**	.440**
	Sig. (2-tailed)	.000	.004		.000	.000
Promotion Incentives	Pearson Correlation	.335**	.105	.464**	1	.440**
	Sig. (2-tailed)	.000	.112	.000		.000
Retirement Benefits	Pearson Correlation	.135*	.200**	.440**	.440**	1
	Sig. (2-tailed)	.041	.002	.000	.000	

Table 21: Correlations
Source: SPSS Output

The correlation analysis was conducted in the study to capture the connection between the variables such as the connection between employee motivation and pay and allowance, employee motivation and bonus incentives, employee motivation and promotion incentive, and employee motivation and retirement benefits. More so, the connection between the financial incentive's variables were also presented the table that is, the connection between pay and allowance and bonus incentives, pay and allowance and promotion incentives, pay and allowance and retirement benefits and others.
The analysis shows that the connection between employee and pay and allowance has the correlation value of 0.22 with sig value of 0.738, indicating that a weak positive connection exists between employee motivation and pay and allowance. The connection between employee motivation and bonus incentives has the value of 0.258 with sig value of 0.000, indicating that a weak positive and significant connection exists between employee and bonus incentives. Furthermore, the connection between employee motivation and promotion incentives has the correlation value of 0.335 with sig value of 0.000, implying that a weak positive correlation and significant connection exists between the variables. Lastly, the connection between employee motivation and retirement benefits has the correlation value of 0.135 with sig value of 0.041 indicating that there is a weak positive and significant correlation between employee motivation and retirement benefits.

4.3. Regression Report

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	13.153	4	3.288	8.305	.000ᵇ
	Residual	89.090	225	.396		
	Total	102.243	229			

Table 3: ANOVA
Source: SPSS Output

The regression analysis shows that the ANOVA report the SSR value of 13.153 with residual value of 89.090, degree of freedom of 4, MSR value of 3.288, the F-stat value of 8.305 with the F-sig value of 0.000, indicating that the independent variables can jointly influence the dependent variable, that is, financial incentive's variables (pay and allowance, bonus incentives, promotion incentives, and retirement benefits) could influence employee motivation

Employee Motivation		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	Constant	3.303	.268		12.313	.000
	Pay and Allowance	-.016	.038	-.027	-.416	.678
	Bonus incentives	.099	.048	.152	2.053	.041
	Promotion incentives	.239	.060	.291	3.957	.000
	Retirement benefits	-.037	.049	-.055	-.752	.453

Table 4: Coefficients
Source: SPSS Output

The coefficients of the variables are presented in the above table. It was reported that the constant has the value of 3.303, the std error of 0.268, t-stat value of 12.313 with sig value of 0.000, indicating that the independent variables when held constant, will impact the dependent variable positively and significantly. Meanwhile, the coefficient value of pay and allowance is -0.016, std error value of 0.38, t-stat value of -0.416 with sig value of 0.678, implying that pay and allowance exhibits a negative and insignificant impact on employee motivation. Bonus incentives has the coefficient value of 0.099, std error value of 0.048, t-stat value of 2.053 with sig value of 0.041, meaning that bonus incentives can influence employee motivation positively and significantly. Promotion incentives exhibits the coefficient value of 0.239, std error value of 0.060, t-stat value of 3.957 with the sig value of 0.000, indicating that promotion incentives contribute positively and significantly to employee motivation. The retirement benefit has the coefficient value of -0.037, std error value of 0.049, t-stat value of -.752 and sig value of 0.453, implying that retirement benefits could impact employee motivation positively and significantly.

5. Conclusion

Based on these results, it is easy to conclude that the employee reward system is quite important. When workers are not rewarded, they perform poorly and are disconnected from their tasks. As a result, it is critical for firms to consider their employees' needs since a satisfied employee is an efficient one. However, pay and allowance, promotion incentives, bonus incentives, and retirement benefits are the four factors used for financial incentives to measure employee motivation. Though pay and allowance was found to be negatively insignificant among the bank employees.

It was concluded that a weak positive connection exists between employee motivation and pay and allowance, weak positive and significant connection exists between employee and bonus incentives, weak positive correlation and significant connection exists between the variables, and weak positive and significant correlation between employee motivation and retirement benefits.

6. Recommendation

Management should obtain and encourage feedback from workers on how they view incentives. The largest influence on job productivity is produced when feedback is paired with proper incentive systems.

Management should choose the sort of incentives that is most inspiring to workers. This should also be based on personal characteristics and requirements.

7. References

i. Acib, I. O. &Adewoye, T. O. (2014). An Exploratory Study of Employee Attitude towards Monetary and Non-Monetary Incentives in the Banking Industry: A Case Study of selected Unionised Banks. %27%27EVALUATING%20EMPLOYEE%20ATTITUDE%27%27%20AMENDMENTS%20MADE-3

ii. Achie, S. T. &Kurah, J. T. (2016). The Role of Financial Incentives as a Motivator in Employee's Productivity in Nigeria Electricity Distribution Companies. *International Journal of Research in Business Studies and Management, 3*(1), 1-8.

iii. Calvin, O. Y. (2017). The Impact of Remuneration on Employees' Performance (A Study of Abdul Gusau Polytechnic, Talata-Mafara and State College of Education Maru, Zamfara State. Arabian Journal of Business and Management Review (Nigerian Chapter), 4(2),34-43.

iv. Cheema, F., Shujaat, S. &Alam, R. (2013). Impact of Non-monetary Rewards on Employees' Motivation: A Study of Commercial Banks in Karachi. *Journal of Management and Social Sciences, 9*(2), 23-30.

v. Chukwuma, E. M. &Okafor, O. (2014). Effect of Motivation on Employee Productivity: A Study of Manufacturing Companies in Nnewi. *International Journal of Managerial Studies and Research (IJMSR), 2*(7), 137-147.

vi. Dessler, G. (2014). *Human resource management.* Jakarta: Salemba Empat

vii. Hameed et al., (2014). Impact of Compensation on Employee Performance (Empirical Evidence from Banking Sector of Pakistan), *International Journal of Business and Social Science, 5*(2), 302-309.

viii. Ibrahim, M. &Brobbey, V. A. (2015). Impact of motivation on employee performance the case of some selected micro finance companies in Ghana. *International Journal of Economics, Commerce and Management, 3*(11), 1219-1236.

ix. Jesop, T. (2005). Improving employee's performance through human resource management. London: Hoffman press.

x. Kuranchie-Mensah, E. B. &Amponsah-Tawiah, K. (2016). Employee Motivation and Work Performance: A Comparative Study of Mining Companies in Ghana. *Journal of Industrial Engineering and Management JIEM, 9*(2): 255-309.

xi. Nizam, K. & Shah, F. M. (2015). Impact of Employee Motivation on Organizational Performance in Oil and Gas Sector of Pakistan. *International Journal of Managerial Studies and Research (IJMSR), 3*(12), 7-15.

xii. Novianty, R.R. &Evita, S. N. (2018). Financial Incentives: The Impact on Employee Motivation. *Academy of Strategic Management Journal, 17*(6), 1-8.

xiii. Rakshana, M. &Gaffoor, U. (2014). Impact of Financial and Non-Financial Motivation on Employees' Performance: a case study on Orient Lanka Confectionery (Pvt) Ltd Kandy.*Proceedings of the Second ARC, FMC, SEUSL* 2(2).

xiv. Rathnayaka, R. M. &Madhuhansi, W. H. (2018). Impact of Employee Motivation on Employee Performance: With Special Reference to Faculty Lecturers of SLITHM. *Global Journal of Management and Business Research: A Administration and Management, 18*(13), 35-43.

xv. Yousaf, S., Latif, M., Aslam, S. &Saddiqui, A. (2014). Impact of Financial and non-Financial Rewards on Employee Motivation. *Middle East Journal of Scientific Research 21*(10): 1776-1786.

xvi. Zameer, H., Ali, S., Nisar, W., & Amir, M. (2014). The Impact of the Motivation on the Employee's Performance in Beverage Industry of Pakistan. *International Journal of Academic Research in Accounting, Finance and Management Sciences, 4*(1), 293–298.

Appendix

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.497	28.109	28.109	4.497	28.109	28.109
2	2.352	14.698	42.807	2.352	14.698	42.807
3	1.473	9.203	52.010	1.473	9.203	52.010
4	1.098	6.863	58.873	1.098	6.863	58.873
5	.927	5.792	64.665			
6	.795	4.967	69.632			
7	.727	4.545	74.177			
8	.640	3.999	78.176			
9	.569	3.555	81.731			
10	.557	3.478	85.209			
11	.513	3.205	88.414			
12	.468	2.926	91.341			
13	.454	2.840	94.181			
14	.363	2.271	96.451			
15	.305	1.909	98.360			
16	.262	1.640	100.000			

Table 5