



ORIGINAL RESEARCH PAPER

Commerce

ENHANCING EMPLOYEE PERFORMANCE THROUGH MONETARY INCENTIVES

KEY WORDS:

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ABSTRACT

The paper is examining the effect of monetary incentives on workers performance in organizations. The essence or purpose is also to affirm that monetary incentives is a good motivational tool on employee performance in a society like ours; where the cost of living is very high. It is also to bring to light that monetary incentive alone is not sufficient to motivate all categories of employee to perform better on their job. The study concludes that monetary incentive stigma is seen as one of the most important strategies in the human resource management function as it influences the productivity and growth of an organization. Based on the findings, the study recommends among others that monetary incentives like bonuses, performance based rewards, should be provided to attract, retain and motivate employees for better performance and Commission to employees should be considered in the distribution of reward types to deserving employees for maximum employee performance.

INTRODUCTION-

One of the major problems facing most employers in both public and private sectors is how to motivate their employees in order to improve performance. Performance leads to job satisfaction through the provision of intrinsic and extrinsic rewards. Intrinsic motivation is internal to the person in that it is something that you have to offer yourself and is driven by personal interest or enjoyment in the work itself. Because intrinsic motivation exists within the individual, achieving it does not depend on others. Some people believe that the most powerful rewards come from inside a person. Extrinsic motivation is external to the individual and is typically offered by a supervisor or manager who holds all the power in relation to when extrinsic rewards are offered. Recent studies have shown that a combination of financial and non-financial incentives can motivates employee to perform well on their job. Managers continuously seek for ways to create a motivating environment where employees will work at their optional levels to achieve the organizational objectives. Work place motivators include both monetary and non-monetary incentives. Monetary incentives can be diverse while having a similar effect on associates. The purpose of monetary incentives is to reward employees for excellent job performance through money. Research shows that desired monetary incentives differ for employees based on career stage and generation. Since human resource is the most valuable resource of any organization, it must activate, train, develop and above all motivate in order to achieve individual and organizational goals. Monetary rewards as a motivator is high in developing in countries due to high cost of living and low quality of lives which they are facing. Most activities of man are related to making money. The incentive to achieve one particular objective for example, increased volume, should not act as an incentive to worsen other standards of achievement like quality. It is therefore, important to know what induces a worker most, as many people have different needs and aspirations. Therefore, this research work examined the effects of monetary incentives on workers performance.

OBJECTIVES OF THE STUDY-

The main aim of the study is to examine the effect of financial incentives on employee performance. The specific objectives are:

- To assess the extent of relationship between bonuses and employee performance.
- To assess the impact of reward policy on the workers.
- How to plan employees reward.
- To review literature on monetary incentives, employees satisfaction, motivation and performance.
- To study about incentives theory of motivation.

The Review Of Literature-

The study helps students to understand the relevance of monetary and non-monetary reward on job satisfaction through various theories of motivational incentives on employees' performance. Organization needs human beings and because human nature though very simple can be very complex too. This makes it a task for organizations to know how to motivate its employees. An understanding, appreciation of human nature is a pre-requisite to effectively motivate employees. Financial incentives involve granting of reward in terms of money such as commissions, bonuses etc. Examples of financial rewards include base pay, cost of living adjustments, short term incentives, and long term incentives. The available empirical evidence documents that monetary rewards are among the most powerful factors affecting employee motivation and performance.

Experimental Section-

The research work seeks to examine the Impact of monetary as a determinant of Employee Performance. When employees posses organizational trust, they believe organizational actions will benefit them and generally have confidence in the words and actions of other people. Mistrust results when information is withheld, resources are allocated inconsistently, and employees have limited support from management. Motivation is a basic psychological process. A recent data-based comprehensive analysis concluded that competitiveness problems appear to be largely motivational in nature. motivation is not the only explanation of behavior. It interacts with and acts in conjunction with other cognitive processes. Some basic terms are as under-The reward system and motivating incentives will determine the level of employees' commitment and their attitude to work.

Incentive:

This is a conscious use of rewards and penalties to encourage good performance in the utility sector.



Monetary Incentive:

A monetary incentive is to reward associates for excellent job performance through money. The following incentives can be common in many workplaces across a range of industries:

Bonuses

Employee bonuses are one of the most common types of financial incentives that companies use as regular reward incentives and as a way to show employees appreciation. For instance, companies might offer cash bonuses or include a monetary bonus in employee paychecks as a way to reward

staff for exceeding expectations or achieving an objective outside their normal job description.

Businesses and organizations may also use bonuses to show recognition or appreciation for employees' important milestones, such as a work anniversary. Additionally, many employers often provide retention and sign-on bonuses to employees who agree to work for an organization for a certain length of time or for attracting potential hires to work for their organizations.

Referral Programs

Employee referral programs are a type of financial incentive that encourages employees to locate potential candidates to work for their organizations. When their organizations hire referred candidates, the referring employee receives a monetary reward. Employee referral programs are successful because companies can rely on their staff to make connections with potential talent that can contribute to the growth of their organizations. Additionally, referral programs provide a way for staff to take part in the growth of their companies while benefiting from monetary rewards.

Extra Allowances

One of the most common allowances that employers may offer is the dearness allowance. This type of incentive is an additional amount in an employee's paycheck that acts as a buffer against inflation increases. While the dearness allowance was originally a separate amount from an employee's paycheck, this type of incentive is typically part of employees' wages if their employer offers it.

Many organizations also provide allowances like travel compensation, transportation and other necessities employees may use on the job. For instance, employees may receive allowances like a company-owned vehicle or flight and lodging stipends for traveling nationally or internationally in support of their companies' objectives.

COMMISSIONS

Commissions are common financial incentives for professionals who work in sales. For instance, retailers and automobile companies often provide sales professionals with a commission in addition to their regular wages for selling goods or services. Typically, sales professionals earn a specific amount in commissions for every product or service they sell to customers.

For example, a customer service representative for a mobile service provider may earn a 20% commission in addition to their base salary for every customer they acquire for their service. Sales commissions can be highly effective in motivating team members to reach sales objectives and generate profits for their organizations.

Employee Stock Options

Some companies provide stock incentives that allow employees to purchase shares of company stocks at a set price. Employers who offer stock options may do so at a specific price per share only for staff members. For example, a company with stock available for purchase on the market for \$100 per share may offer its employees a special price of \$75 per share or \$50 per share. Stock incentives are beneficial because they offer employees long-term financial gains as companies profit from stocks.

Non-monetary:

Transactions that do not result in a transfer of funds between accounts. Nonmonetary transactions can be something as simple as a change of address or an appreciation note.

Non-monetary incentives include a range of types:

- Job security
- Recognition

- Professional development
- Promotion

Job Security

Job security is one form of non-monetary incentive that can motivate people at work. For example, receiving tenure or ending a probationary period can make someone feel more secure and motivated to contribute to the company or organization. Once they feel like their contributions matter, they may work harder to help the business excel. You can reinforce job security by giving annual performance reviews in which you offer positive reinforcement and constructive feedback.

Recognition

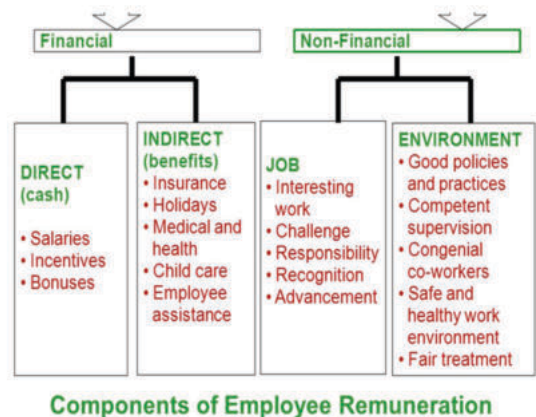
Recognition is also an important form of non-monetary workplace incentives. Employers may offer rewards for hard work, achieving a goal or working with the company for so many years. In many cases, companies offer a monetary reward along with recognition. An employee of the month award is a common recognition that many companies use. Another type of small recognition could include praising an employee during a team meeting. Publicly praising an employee for their hard work can also show other team members the work ethic they should strive to meet.

Professional Development

Professional development opportunities can also provide incentives to employees. Developing their skills can be an important motivator. Employers may offer tuition reimbursement, send employees to conferences or seminars or develop an in-house training program for developing skills. You could also begin a shadowing program in which employees in your department work with colleagues in another area of the company to learn more about the organizational process.

Promotion

The opportunity for promotion is an important workplace motivator. Promotions offer the opportunity for growth and advancement and can be very satisfying and motivating. They also help employees excel in their professional development. When an employee receives a promotion, they usually have a higher sense of job security. Employees usually receive promotions at the same time as a raise.



Employee:

A person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business.

Performance:

The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. The value of the same incentive may change depending on the time and circumstance. People may value similar

incentives differently. Psychological and social factors can have a role in determining which people have a motivation for different incentives. Incentives only work as motivational tools if individuals place value on the reward they will receive for their actions.

Incentives in the workplace, as in other facets of life, can also be positive or negative:

Positive Incentives:

Provide positive assurance that an employee will receive something they desire in exchange for doing their work well. Examples of positive incentives include recognition, promotions, raises and so forth.

Negative Incentives:

Correct mistakes or discourage certain behaviors. Negative incentives include reprimands, demotions, pay decreases and other kinds of penalties.

How To Plan Employee Reward

1) Link Employee Rewards To Organizational Goal

Rewards are not just meant to benefit the employees; they are also intended to benefit the company. Therefore in the processing of planning a reward, you need to ensure that you factor in the organizational goals, aims, and objective. This will make sure that in as much as you are rewarding good performance; you are also encouraging a continuation of the rewarded performance, good behavior and are also discouraging any unethical behavior in the company.

2) Create Criteria's For Receiving Awards.

A good way to do this is to look at the work process and the work practices of your top performers and use them to determine the key actions for reward eligibility. You can also research and evaluate what other key players in the industry are rewarding.

3) Set Realistic Goals For Your Reward Program

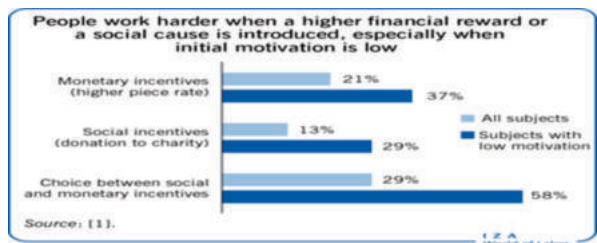
While the ultimate goal of any employee rewards plan is to foster team spirit and give your employees a reason to feel appreciated, resist the temptation to reward everyone for everything. Too many unfocused employee rewards just water down the effect of the whole plan

4) Develop The Specifics And Set Rules For The Plan

More often employee reward programs fail because they didn't clearly explain the rules. If the people targeted don't know the rules of the game then there are only two outcomes. The first result is people will try to play thinking they know the rules and become frustrated when they don't win. Secondly, they will ignore the program altogether and see it as "just another example" of your lip service to fostering employee engagement and building a positive corporate culture.

6) Monitor The Effectiveness Of Your Plan

On the point of giving rewards that hold significant value to employees, you might want to check the efficiency of the reward plan repeatedly. You might want to know why the rewards plan is not working or why some reward plans worked better than others.



CONCLUSION-

Based on the research results, one can conclude that as it has been said by various researchers, that monetary incentives

alone are not sufficient to motivate employees. Also that a maximum of both monetary and non-monetary incentive should be applied and like the saying goes "variety is the spice of life" Monetary and non-monetary incentives vary in their roles, effectiveness and appropriateness. A balance between monetary and non-monetary incentives should be used to satisfy the diverse needs and interest of employees. Motivation is a complex and individualistic concept and as such there is no best approach to it. . But in addition to monetary incentive, contemporary employees want and are increasingly demanding incentive diversity and incentive choice. In today's diverse, employers are finding that employees want a range of different things from the work place. Employees will even exchange some level of base pay to get some of the other things they want. Conclusively, the significance of effective monetary incentive scheme cannot be overemphasized in a bid to attracting and motivating employees for improved organizational productivity. A major task from a human resource management and industrial relations perspective is to understand how to design and administer monetary incentive policies that best meet the goals of employers and employees in the employment exchange.

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