

# Impact of Financial Reward on Employees' Performance of Small and Medium Enterprises (SMEs) in Gusau Metropolis of Zamfara State, Nigeria

Onumoh Ahmed Yahaya (ACA), Halima Ahmed Usman,  
Bello Umar

*Accounting Education Department School of Business and Entrepreneurship Education Federal College of Education (Technical) Gusau, Zamfara State, Nigeria*

*Economics Education Department School of Business and Entrepreneurship Education Federal College of Education (Technical) Gusau, Zamfara State, Nigeria*

*Accounting Education Department School of Business and Entrepreneurship Education Federal College of Education (Technical) Gusau, Zamfara State, Nigeria*

Submitted: 10-08-2022

Revised: 17-08-2022

Accepted: 20-08-2022

## ABSTRACT

The primary objective of the research study was to investigate the impact of rewards on employee performance of SMEs in Gusau metropolis of Zamfara state, Nigeria. Three were three research hypotheses. The study uses quantitative data collection technique. The data for the study were gathered through questionnaire. The information was analyzed with the via of SPSS software. The researcher conducted correlation analysis. The study indicated that dependent and independent variables of the research were strongly and positively correlated with each other. The study recommends that the number of intrinsic rewards should be increase, as even such a small thing as verbal appraisals and appreciation make a big change for employees. As it was fund from the data gathered, some employees like recognition of their work being done as its exceed expectations of the management. These activities would make employees feel appreciated in the company, therefore, increasing the level of commitment and loyalty to the organization.

## I. INTRODUCTION

Contemporary businesses face a number of problems in order to stay competitive in their industry and acquire a lasting competitive edge. Nowadays, most businesses employ people of different countries, cultures, and social backgrounds, making employee retention even

more difficult. In the globalized world of developed technology and internet, consumers have become educated about the products, services, business practices and personal rights as never before, hence, requiring more skillful and efficiently trained workforce from companies (Kim, 2019).

Retaining a talented and high-quality employee has long been considered one of the long-term sustainable competitive advantages, but it has become a difficulty for businesses in the modern business environment. A reward system, according to Lathan (2018), is a program designed to show appreciation for good performers while also providing incentives for low performers to boost their output. Furthermore, one of the most effective aspects in maximizing employee job happiness and productivity has been found as reward schemes. An incentive system, in the eyes of management, is designed to alter employees' attitudes toward their jobs and the firm as a whole (Khan, 2013).

Each employee's performance has an impact on not just the person but also the team, department, management, and company. As a result, performance is a critical component of an organization's success and productivity. Reward systems are a technique to boost an organization's efficiency while also monitoring employee performance, thereby retaining qualified staff and attracting fresh talent. According to Kehoe (2015),

awards should be tailored to employees' individual needs, as some prefer financial prizes while others prefer alternative incentives such as a house, car, or paid vacation. It is clear from the preceding statement that an effective reward system should include both monetary and non-monetary in order to meet the requirements and expectations of employees.

According to Torrington (2019), a favorable influence on employee productivity can only be accomplished if the reward system matches the requirements and expectations of employees. Extrinsic benefits include promotions, commissions, bonuses, and awards, whereas intrinsic rewards include performance acknowledgment, social recognition, improved working conditions, job diversity, and increased responsibility. Intrinsic motivation is motivation that originates from within a person. This sort of motivation is mainly derived from the enjoyment that an employee feels after completing a task or, in certain situations, while working. Responsibility, flexibility to act, scope to use and develop skills and abilities, exciting job, and prospects for growth can all influence intrinsic motivation. Extrinsic motivation, on the other hand, is generated by actions taken to motivate others. Money, grades, criticism, and punishments are all examples of external sources of incentive. Employees who are intrinsically motivated can work on a task even if they are uninterested in it because they know that the reward will provide them with fulfillment and pleasure after the activity is accomplished. Unfortunately, extrinsic incentive has a short-term effect on employees, thus new rewards should be presented with each new assignment (Kim, 2019). Employee commitment, motivation, and job happiness are all enhanced by a healthy balance of extrinsic and intrinsic rewards, which in turn improves employee performance, particularly in terms of productivity (Lathan, 2018).

Furthermore, Torrington (2019) researched incentives systems and their effects on organizations, concluding that an appropriate reward system maximizes job satisfaction, resulting in increased staff productivity efficiency and effectiveness. Wang (2017) discovered that intrinsic and extrinsic rewards had a strong positive relationship with employee motivation. He agrees with other Human Resources investigators that a good association between motivation and rewards leads to an increase in employee work satisfaction. Following up, job happiness has a beneficial impact on an employee's view of job success and

accomplishment. Job happiness is also linked to employee productivity, commitment, and loyalty to a company. According to Latham (2018), a company should have a well-developed rewards system that satisfies the requirements and expectations of its employees. While Schaufeli (2013) regard the incentive system as a tool for job advancement, awards may drive people to learn and enhance their skills and competences more quickly, resulting in career advancement.

Job satisfaction is strongly influenced by employees' perceptions of the reward system, as well as performance appraisal and recognition, according to Stringer (2014), while Shield (2015) concludes that the reward system is a key motivator for employees to meet management's performance expectations. Andrew (2013) explored incentive systems as a means of motivating employees to maximize production and deepen loyalty to an organization by generating pleasant and beneficial working conditions. They also point out that recognizing performance leads to a high level of employee morale.

Employee burnout affects practically all sorts of employees at all levels, and a well-designed reward system can help prevent it. Burnouts have a negative impact on employees, lowering job satisfaction and affecting motivation and the entire work process (Kehoe, 2015). On this note, it is important to continue contributing to the effect of rewards system to employees' performance in different organization.

To stay competitive in the industry and increase market share, Small Scale Enterprises (SMEs) needs to have efficient and effective strategies in different areas of operation. Productivity and success of the company depends a lot on the employee performance and motivation. A comprehensive reward system is an effective management tool for motivating employees particularly low performers, but also increasing job satisfaction particularly of high achievers. However, due to differences in personalities and personal preferences, some employees are more motivated by extrinsic rewards while others prefer intrinsic rewards. Career and professional development of employees should be also taken into consideration. Moreover, adequate rewards create a feeling in employees that they are valuable, and their efforts are recognized and appreciated by the management.

The foremost implication of this study is that traditional approaches to maximize productivity are effective in contemporary business

environment. Thus, it is important for business to constantly retain and improve employees' motivation which requires an efficient reward system for all workforce, as employee motivation and employee performance varies and may decline with passage of time. Therefore, this study is focused on impact of rewards on employee performance of SMEs in Gusau metropolis of Zamfara state, Nigeria.

## II. LITERATURE REVIEW

The aggregate of each individual's performance in a corporation is called overall organization performance (Kim, 2019). A company's incentive system serves as a tool for monitoring employee performance as well as motivating personnel. As a result, a business uses a compensation system to motivate its staff to perform better. Employee tasks and responsibilities are designed to achieve the organization's goals and objectives. Specific effectiveness and efficiency in completing individual tasks and duties determine the overall efficiency and effectiveness of the organization. It is plausible to infer from the aforementioned literature that there is a favorable association between rewards and employee performance.

Various research, such as Dewhurst and Guthridge (2019), find that an adequate reward system is crucial for both high and poor achiever employee motivation. This is due to the fact that awards improve job satisfaction among high performers while also serving as an incentive for bad performers. Because different organizations have distinct personalities, backgrounds, and tastes, incentive systems vary. However, all reward systems have the same goal of motivating people for continual improvement, personal development, and professional advancement. Another study, conducted by Shields (2015), asserts that any reward system should be designed around the needs and preferences of employees, as monetary rewards may satisfy some needs while others seek promotion, appreciation, increased responsibilities, training, and other non-monetary rewards. To satisfy the expectations of all employees, an effective reward system should be flexible and include both monetary and non-monetary benefits.

Most reward systems, like as sales commissions, annual or periodic bonuses, employee awards, and so on, are typically focused on financial rewards as a motivating factor for employees. Non-monetary incentives, on the other hand, take the shape of performance appreciation letters, public acknowledgement of success, improved working conditions, increased job

diversification, job rotation, and so on (Griffin, 2013).

**Extrinsic Rewards:** Extrinsic rewards, or monetary benefits, are the finest source of employee motivation since they respond to specific employee expectations and keep them engaged. As a result, this method of incentive is typically short-term and must be done frequently in order to maintain employee motivation and performance. Extrinsic awards can promote employee productivity and morale, allowing an organization to maximize and improve employee performance as well as overall organizational performance (Hernersley, 2014). An organization's incentive system guarantees that employees believe they are valued to the company and that management recognizes their contribution to the company's success. In conclusion, monetary incentives can help employees increase their productivity and maintain a high level of motivation.

H<sub>01</sub>: There is no significance relationship between reward and employees' performance SMEs in Gusau metropolis of Zamfara state, Nigeria

Extrinsic motivation is the result of some efforts taken to motivate others. Money, grades, criticism, and punishments are all examples of external sources of incentive. Employees who are intrinsically motivated can work on a task even if they are uninterested in it because they know that the reward will provide them with fulfillment and pleasure after the activity is accomplished. Unfortunately, extrinsic incentive has a short-term effect on employees, thus new rewards should be presented with each new assignment Dewhurst and Guthridge (2019).

Finally, monetary incentives can assist employees in increasing their production while also maintaining a high level of motivation. Extrinsic motivation is the outcome of certain attempts to motivate others. External sources of motivation include money, grades, criticism, and punishments. Employees who are intrinsically motivated can work on a task even if they are uninterested in it because they know the reward will provide them with satisfaction and pleasure once the task is completed. Extrinsic incentives, unfortunately, have a short-term influence on employees, so new prizes should be offered with each new assignment.

H<sub>02</sub>: There is no significance relationship between extrinsic rewards and employees motivate of SMEs in Gusau metropolis of Zamfara state, Nigeria.

**Intrinsic Rewards:** Intrinsic motivation, on the other hand, refers to motivation that comes

from within a person. This sort of motivation is mainly derived from the enjoyment that an employee feels after completing a task or, in certain situations, while working. Responsibility, flexibility to act, scope to use and develop skills and abilities, exciting job, and prospects for growth can all influence intrinsic motivation. Because these motivators emerge from the individual rather than the environment, they have a long-term influence (Stringer, (2014).

Herberg and Mausner (2018) utilized a new word for non-cash awards, non-material rewards, and found that non-cash benefits boost job satisfaction in employees, especially those who are more productive than others. The researchers' study shows that when an employee is pleased with monetary rewards, he or she begins looking for something else because cash advantages cannot satisfy wants or inspire in the same way. The study also emphasized the need of having both intrinsic and extrinsic rewards in a reward system because only a well-balanced system can fully address employees' motivation demands and, as a result, lead to increased commitment, motivation, and job satisfaction. As a result, the researcher can reach the third hypothesis, which indicates that the intrinsic rewards utilized by the SMEs in Gusau have a favorable impact on employee performance.

H0<sub>3</sub>: There is no significance relationship between intrinsic rewards and employees motivate SMEs in Gusau metropolis of Zamfara state, Nigeria.

### III. METHODOLOGY

The research methodology adopted in the study is a survey form and the purpose is to enable

the researcher collect relevant data from a large population. The population of this study consists of SMEs in Gusau metropolis of Zamfara state, Nigeria. For the purpose of this study, simple sampling random technique was adopted to select 50 representative samples from the population. The method was adopted due to the fact that the issues under study concerns the employees and managers. Closed-ended questions on a 5-point Likert Scale were included in the study's questionnaire. It allows a researcher to acquire a huge amount of data in a short amount of time while also being the most cost-effective way of data collection. The data collected were analyzed through the aid of Statistical Package for Social Sciences (SPSS) 16.0 and were presented in tables of frequency distributions and analyzed using descriptive statistics, while hypotheses were tested using the correlation. In testing the hypotheses formulated in chapter one, null hypotheses were not accepted if the p-value is significant at 5%

### IV. RESULT DISCUSSION

The response rate was 50 which is 100% of the whole sample size. All participants completed the questionnaire answering every questions. The respondents were not asked about any of their personal information (age, sex or background) as the purpose of the survey was to show the overall employees' attitude and understanding of the existing reward system and its impact on employee performance.

Correlation Analysis

Table 1: Employee Performance and Rewards

		Employees' Performance	Rewards
Employees' Performance	Pearson Correlation	1	
	Sig. 2-tailed		
	N	50	
Rewards	Pearson Correlation	0.742	1
	Sig. 2-tailed	0.0.003	
	N		50

Source: Data Output, 2022

H0<sub>1</sub>: There is no significance relationship between Rewards and Employees' Performance.

From the table 1, it can be seen that the Pearson correlation value for the given variables was 0.742 with p-value of 0.003. The correlation analysis of the variables shows that there is a strong

relationship between Rewards given to employees (independent variable) and the subsequent Employees' Performance (dependent variable). This testifies to the fact that there is a statistically

significant correlation between rewards and employees' performance in the company. According to the Pearson correlation value the researcher failed to reject the null

hypothesis as. It is only possible to make the conclusion that there is a positive relationship between Rewards and Employees' Performance.

Table 2: Employees' Performance and Extrinsic Rewards

		Employee Performance	Extrinsic Rewards
Employee Performance	Pearson Correlation	1	
	Sig. 2 -tailed		
	N	50	
Extrinsic Rewards	Pearson Correlation	0.764	1
	Sig. 2-tailed	0.0221	
	N		50

Source: Data Output, 2022

H0<sub>2</sub>: There is no significance relationship between Extrinsic Rewards and Employees' Performance.

From the table 2, it shows Pearson correlation 0.764 with p. value of 0.5 which signifies a strong relationship between Extrinsic Rewards given to employees and the subsequent Employee Performance. The analysed value is less than 0.05, which testifies to the fact that there is a statistically significant correlation between

extrinsic rewards and employees' performance in the company. According to the Pearson correlation value the researcher failed to reject the null hypothesis as the value is 0.05. It is only possible to make the conclusion that there is a positive relationship between Extrinsic Rewards and Employees' Performance.

Table 3: Employees' Performance and Intrinsic Rewards

		Intrinsic Rewards	Employee Performance
Intrinsic Rewards	Pearson Correlation	1	1
	Sig. 2 -tailed		
	N	50	
Employee Performance	Pearson Correlation	0.890	1
	Sig. 2-tailed	0.0032	
	N		50

Source: Data Output, 2022

H0<sub>2</sub>: There is no significance relationship between Intrinsic Rewards and Employees' Performance.

From the table 3 it can be seen that the Pearson correlation value of 0.890 with p-value of 0.0032 indicates a strong relationship between Intrinsic Rewards given to employees and Employee Performance. The analysed p-value is less than 0.05, which testifies to the fact that there is a statistically significant correlation between intrinsic rewards and employees' performance in the company. The researchers therefore failed to reject the null hypothesis as the value is 0.05. It is only possible to make the conclusion that intrinsic

rewards used by SMEs positively affect the performance of the employees.

## V. CONCLUSION AND RECOMMENDATIONS

The study concludes that there is a strong correlation between rewards and employee performance, moreover, employee performance also depends on such variable as job satisfaction level. Further finding indicates that both intrinsic and extrinsic reward types have a significant

impact on employee performance. The study recommends that there is great potential for lower level employees to improve their professional skills and competencies by completing new tasks and going out of the comfort zone. Intrinsic rewards may be triggered by praises and recognition. Managers must empower their subordinates to accomplish new challenges showing that the employees are trusted and may complete tasks autonomously. Due to such strategy, SMEs can educate employees in the internal environment according to the preferable standards and criteria, and at the same time increase the rate of internal hiring and reduce recruitment cost. Final recommendation is to increase the number of intrinsic rewards, as even such a small thing as verbal appraisals and appreciation make a big change for employees. As it was conducted from the data gathered, some employees lack recognition of their work being done even if they exceed expectations of the management. These activities would make employees feel appreciated in the company, therefore, increasing the level of commitment and loyalty to the organization.

#### REFERENCES

- [1]. Andrew, D.P. (2013). The impact of perceived leadership behaviors on satisfaction, commitment, and motivation. *International Journal of Coaching Science*, 1(1), 37-58.
- [2]. Dewhurst, M. & Guthridge, M. (2009). Motivating people: Getting beyond money. *McKinsey Quarterly*, 1(4), pp.12-15.
- [3]. Griffin, R. and Moorhead, G. (2013). *Organizational behaviour: managing people and organizations*, London: Cengage Learning
- [4]. Hammersley, M. (2014). *Ethics in qualitative research: controversies and contexts*. London: SAGE
- [5]. Kehoe, R.R. (2015). The impact of high-performance human resource practices on employees' attitudes and behaviors. *Journal of Management*, 39(2), 366-391.
- [6]. Kim, B. P. (2019). Does money motivate employees? empirical study of private and public financial sector in Kazakhstan. *International Journal of Business and Management*, 9(11), 214.
- [7]. Lathan, G.P. (2018). The impact of employee learning on staff motivation in Greek small firms: the employees' perspective", *Development and Learning in Organizations. An International Journal*, 27(2), 13 – 15.
- [8]. Schaufeli, W.B. (2013). The measurement of engagement and burnout: A two sample confirmatory factor analytic approach. *Journal of Happiness studies*, 3(1), 71-92.
- [9]. Shields, J. (2015). *Managing employee performance & reward: concepts, Practices, strategies*. Cambridge: Cambridge University Press.
- [10]. Stringer, C. (2014). Motivation, pay satisfaction, and job satisfaction of front-line employees. *Qualitative Research in Accounting & Management*, 8(2), 161-179.
- [11]. Torrington, D. & Hall, L. (2019). *Fundamentals of human resource management*, (1<sup>st</sup> ed.).USA: Pearson Education Limited.
- [12]. Wang, Y., (2017). Observations on the organizational commitment of Chinese employees: comparative studies of state-owned enterprises and foreign-invested enterprises. *The International Journal of Human Resource Management*, 15(4-5), 99-105.