FINANCIAL INCENTIVES AND EMPLOYEE PERFORMANCE: A CASE STUDY OF NIGERIAN COPYRIGHT COMMISSION

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ABSTRACT

The study sought to determine the relationship between financial reward like bonuses and pay raise on employees' performance. The study adopted a survey research approach as the research design. Both descriptive and inferential statistics were employed. The target population was employees working in the Nigerian Copyright Commission, which constitute a sample size of 187. Primary data was collected using structured questionnaires. Quantitative data were analyzed using Statistical Packages for Social Sciences (SPSS). The study found that there was a positive and significant relationship *between cash bonuses and employee performance as well as positive and significant relationship between pay raise and employee performance. Based on the findings, the study concluded that cash bonuses and pay raise have a positive and significant effect on employee performance. The study recommended that the policy makers to formulate policies than embrace reward systems that could be implemented by related public sector agencies to give them a competitive advantage as well as in setting structures that support employee performance.*

Key words: Reward, Employee performance, Bonus, Pay raise.

INTRODUCTION

All individuals engaged in one form of labour or the other have an expectation of receiving benefits for work done in form of wages, salary, compensation, bonus, etc as well as other non-financial incentives. The payment received for work done can fulfill certain basic needs such as clothing, food, and shelter. Every company in setting the amount of the wages paid to an employee must be viable so that the lowest wage given should be able to meet the needs of their employee (Kanzunnudin, 2007). A financial incentive is money that a person, or organization offers to encourage certain behaviours or actions.

Rewards system in the context of organization is a corporate incentive to workers. It is one of the key human resource management strategies for attracting and retaining high quality workers as well as enabling them to increase performance. Rewards system aims to offer an efficient method to convey positive consequences for contributions to anticipated performance. Accordingly, it is vital to determine the elements which influence employees in accomplishing higher productivity. In addition, attaining high productivity level is one of the corporate objectives of numerous corporate entities. In order to achieve this feat, the human capital asset in the form of employees or workers need to be motivated or rewarded optimally.

Employees play very important part in the daily operations of any organization especially where the markets are very competitive and have ever changing environment. The fate of an organization is usually determined by its employees. Employees are a key resource in every organization and are therefore termed to be the life blood of the operations of any organization.

In the modern dynamic global business environment marked by competition, the ability to attract and retain quality workforce, and keep them exceedingly motivated is a big challenge (Nnaji-Ihedinmah & Egbunike, 2015). The bank workers are accountable for handling huge amounts of cash on a daily basis; working with challenging customers are held to a higher level of ethics and responsibility than workers in many other businesses (Kithuka, 2015). As a result, getting the suitable employees and holding proficient employees in banking sector who are capable of attaining high performance is a key issue in the banking industry (Gohari & Kamkar, 2013). Chang & Hahn, (2011) contended that performance is related to quantity as well as quality of output, timeliness of output, presence/attendance on the job, efficiency and effectiveness of the work completed.

Aslam, (2015), argues that the key resource of an organization is human resources (employees) for the reason that they are treasured basis of competitive edge for a firm. In view of this, Edirisooriya, (2014) agrees that to improve over-all performance of an organization it was very imperative to keep resourceful and effective employees. In order to get the resourceful and effective results from human resource, motivation is necessary (Pratheepkanth, 2011). According to Beardwell and Claydon, (2010) motivated employees can add value to an organization by positively accomplishing its goals and can raise employee performance. Consequently, it was vital to find reward systems that influence employees. Bartol and Srivastava, (2006) define motivation as a set of processes concerned with the force that energizes behaviour and directs it towards attaining goals.

Several factors have caused a decline in the performance of many government institutions. In order to improve their performance and retain competitive edge, public sector enterprises must find efficient and effective strategies. Several studies have shown that adequate rewards, management can motivate employees, particularly low performers, but also increase job satisfaction particularly of high achievers. However, due to differences in personalities and personal preferences, some employees are more motivated by monetary rewards such as bonuses while others prefer pay raise. Adequate rewards create a feeling in employees that they are valuable and their efforts are recognised and appreciated by the management.

The foremost implication of this study is that traditional approaches to maximize productivity are effective in contemporary business environment. But, organisations must make critical decisions with respect to reward system to maximise employee motivation. This study, in this context assumes that employee motivation and employee performance varies and may decline with passage of time. Therefore, it is important for organisations to continuously improve motivational factors such as rewards system. Since there is differences in personalities and personal preferences this study therefore examines which of the two most forms of financial reward system (Cash bonuses and Pay raise) contributes higher than the other.

The main aim of the study is to establish the relationship between financial reward system and employee performance in the Nigerian public sector. The specific objectives are to:

a. examine the influence of bonuses on employee performance.

b. assess the influence of pay raise on employee performance.

The following hypotheses guided the study:

HO_1: Bonuses have no significant influence on employee performance.

HO_2: Pay raise has no significant influence on employee performance.

LITERATURE REVIEW

Reward

Reward refers to economic and non-economic benefit received by employees for their job performance in an organization. The nature of rewards can be categorized as extrinsic or intrinsic. Intrinsic rewards are tangible in nature while extrinsic rewards are intangible in nature. Extrinsic rewards are external to the task or job performed by the workers. The external rewards typically include pay/salary, bonuses, incentives, job security, and promotions, among others. On the contrary, intrinsic rewards are intangible or rather psychological in nature. Typical intrinsic rewards are giving important responsibilities, giving new challenges, appreciation, caring, and positive attitude by the managers and high management. Edirisooriya, (2014) defines rewards as all forms of financial returns, tangible services and benefits an employee receives as part of an employment relationship. Malhotra and Budhwar, (2012) define employee rewards system as the programmes by different organizations to reward performance and motivate employees on individual and/or group level. In designing a reward system, the organization should specify group or organizational goals to be achieved and the specific behaviours or performance that will attract rewards. By so doing, the rewards system will help management shape behaviour of employees and at the same time achieve organization's goal

(Nnaji-Ihedinmah & Egbunike, 2015). Also, the need to determine the key measurements of the performance or behavior based on the individual employees, determination of appropriate rewards and communication of the set program to employees.

According to Doreen and Nkrumah (2013) a properly administered system of rewards can provide incentive for quality workmanship and staff performance. Likewise, a poorly administered reward system can lead to low morale, unproductive performance and even lead to a high percentage of staff turnover. A reward system is successful when the staff interprets its policies as even handed, consistent and relevant (Aktar, Sachu, & Emran, 2012). Rewarding and recognizing employees is a tricky business. It can motivate people to explore more effective ways to do their jobs or it can discourage such efforts (Doreen & Nkrumah, 2013). Additionally, a properly administered system of rewards has the capacity to strategically attract skilled employees to join the organization and to retain high performing employees to achieve greater levels of quality and performance. Whereas the reverse may lead to unproductive performance and even to a high incidence of staff turnover (Hatice, 2012).

Employee Performance

According to Susan (2019) Employees are individuals who are hired by an employer to do a specific job. Employees are hired by the Employer after an application and interview process results in his or her selection as an employee. This selection occurs after the applicant is found by the employer to be the most qualified of their applicants to do the job for which they are hiring.

Employees in an organizations play an important role in performing tasks for accomplishing the goals (Richard, 2014). Therefore, performance of employees in an organization is very important. According to Aguinis (2009) performance is an effort along with the ability to put efforts supported with the organisational policies in order to achieve certain objectives. Performance can also be described as the attainment of a particular job calculated on the basis of identified or set standards of accurateness, completeness, and speed and cost (Javed, 2014). When employees are well motivated by rewards such as financial rewards, recognition schemes and fringe benefits there is enhanced productivity, quality and quantity of output. There is also improved efficiency and effectiveness of the work completed.

A number of measures that can be taken into consideration when measuring performance include use of enhanced productivity, quality and quantity of output and efficiency and effectiveness of the work completed (Nassazi, 2013). Efficiency is the ability to produce the desired outcomes by using as minimal resources as possible. While effectiveness is the ability of employees to meet the desired objectives or target. Productivity is expressed as a ratio of output to that of input. It was a measure of how the individual, organization and industry converts input resources into goods and services. It was also the measure of how much output is produced per unit of resources employed. Quality is the characteristic of products or services that bear an ability to satisfy the stated or implied needs. It was increasingly achieving better products and services at a progressively more competitive price.

Furthermore, the rewards were given to the employees in accordance with the level of the performance. However, people are subjected to different things and what appeals good to someone may not appeal favourable to another person. Hence, there is a need to ascertain the kind of reward that appeals to every employee so to increase efforts to be rewarded.

Pay raise

Susan, (2019) defines a pay raise as an increase in the amount of hourly pay or salary that an employee receives for work performed in an organization; a raise is considered a positive event because it increases the employee's take-home pay and spending power. A study by Patric & Elena, (2018) found that employee satisfaction on the job was positively influenced by pay increases. However the rise in job satisfaction after a pay rise is considered to be temporary as the effect fades out within four years. Hence the researchers concluded that pay increases can be a means to motivate employees but only under carefully designed condition.

Bonus

Andrew, (2019) defines bonus is a financial compensation that is above and beyond the normal payment expectations of its recipient. It is the compensation that is over and above the amount of pay specified as a base salary of hourly rate of pay (Susan, 2019). The base amount of compensation is specified in the employee offer letter. In some positions such as working for the government, bonus pay opportunities may be spelled out by a union contract. A company may use bonuses to reward achievements, to show gratitude to employees who meet longevity milestones, or to entice potential employees to join the organization.

The Nigerian Copyright Commission

The Nigerian copyright commission was established under section 34 of the copyright Act (Cap C28, Laws of the Federation of Nigeria, 2004). The Commission was inaugurated on the 19th of August 1989, first as the Nigerian Copyright Council. It was elevated to the status of a Commission in April 1996 and this administrative change was confirmed by the Copyright (Amendment) Decree 1999. Copyright is an intangible property which gives the owner the sole right to deal with his/her work within a specific or stipulated time as provided under the law. The Commission has zonal offices in some states of the Federation for the purpose of decentralized administration of matters regarding copyright. it is headed by a Director-General who is responsible for the daily administration of the Commission.

METHODOLOGY

This study adopted a survey research design that generally describes the characteristics of a particular situation, event or case. Descriptive studies report summary data such as measures of central tendency including but not limited to the mean, median, mode, deviance from the mean, variation, percentage, and correlation between variables. The population for this study was considered as 350 as per the data received from the Human Resource department of the Copyright Commission. Using the Taro Yamane's formula, the sample of 187 was arrived at.

Data was collected by use of a structured questionnaire. The questionnaire enabled the researcher gather information from the sample. The number of copies of the questionnaire received and properly filled was 120.

Multiple linear regression analysis was used to determine the mathematical model that showed the relationship between variables. The choice of multiple regression is preferred because it provides rich and flexible framework that suits the needs of many analysts.

Regression models

$Y = b_0 + b_1X_1 + b_2X_2 + €$

Y is the dependent variable (employee performance)

b_0 = Constant

b_1 = Coefficient of Bonuses

b_2 = Coefficient of Pay raise
X_1 = Bonuses
X_2 = Pay raise
€ = Error term

DATA ANALYSIS AND RESULTS

That is the higher the reliability coefficient, the lesser the errors attributable to the test score. The result of reliability is as shown in Table1. Cronbach's alpha coefficient greater than 0.7, suggest that the data is reliable (Cronbach, 1951). So with the value of 0.830, the data therefore are reliable and fit for the analysis as shown in Table 1.

Table1: Reliability statistics

Cronbach's Alpha	N of Items
.830	33

Source: SPSS output 2020

TEST OF HYPOTHESIS

Hypothesis I

$H0_1$: Cash bonus does not have significant influence on employee performance.

Table 2: RESULT OF ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.948	1	1.948	8.738	.005[b]
	Residual	8.470	38	.223		
	Total	10.418	39			

a. Dependent Variable: Employee Performance
b. Predictors: (Constant), Bonuses

Source: SPSS output 2020

Table 2: Results were used to test the fitness of the model. As presented in the table, it shows that F (1, 38) =8.738.

Table 3: Regression coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.432[a]	.187	.166	.47212

a. Predictors: (Constant), Cash bonus

Source: SPSS output 2020

Regression coefficient of R = .432 or 43.2% shows that relationship exist between independent variables and dependent variable. The coefficient of determination R^2 = 0.187 which shows that 18.7% of variation in Employee performance is explained by Cash bonus. The adjusted R-square in the table shows that the dependent variable, (Employee performance) is affected by 18.7% by independent variable (Cash bonus).

Table 4: Coefficient of Determination

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.200	.427		2.812	.008
	Cash Bonus	.410	.139	.432	2.956	.005

Source: SPSS output 2020

a. Dependent Variable: Employee Performance

The coefficient of determination for Cash bonus is positive (0.410) and is highly significant (0.005) in the determination of Employee performance. The p-value of 0.005 is less than the t-statistic value of 2.956 and the standard error value of 0.139. This implies that a unit increase in Bonus will lead to 0.410 increases in the Employee performance. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted indicating that Cash bonus have significant influence on Employee performance.

Hypothesis II

$H0_2$: Pay raise does not have significant influence on employee performance.

Table 5:

RESULT OF ANOVA [A]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.170	1	1.170	4.808	.035[b]
	Residual	9.248	38	.243		
	Total	10.418	39			

a. Dependent Variable: Emplo yee Performance

b. Predictors: (Constant), Pay Raise

Source: SPSS output 2020

Table 5: Results were used to test the fitness of the model. As presented in the table, it shows that $F(1, 38) = 4.808$.

Table 6: Regression coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.335[a]	.112	.089	.49332

a.Predictors: (Constant), Pay Raise

Source: SPSS

Regression coefficient of 0.112 shows that relationship exist between the independent and dependent variable. It implies that 11.2% of the variation in the employee performance in the studied organization was caused by the pay raise offered in the organization. 11.2% is substantial enough in term of measuring the goodness of fit of the model. We can then say that the test is conclusive. This is an indication that pay rise has significant effect on employee performance.

Evaluating the contributions of the independent variable to the prediction of the dependent variable in Table 7, it shows that the t-test results, which reveal the unstandardized coefficients of the independent variables to the dependent variable; the independent variable, pay rise, is significant at $p < 0.05$. This leads the study to accept the alternative hypothesis, and concluded that there is a significant effect of bonuses on employee performance.

Table 7: Coefficient of determination

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.341	.508		2.639	.012
	PayRise	.406	.185	.335	2.193	.035

Source: SPSS output 2020

The coefficient of determination for pay raise is positive (0.406) and is highly significant (0.035) in the determination of Employee performance. The p-value of 0.035 is less than the t-statistic value of 2.193 and the standard error value of 0.185. This implies that a unit increase in pay raise will lead to 0.406 increases in the Employee performance. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted indicating that pay raise has significant influence on Employee performance.

DISCUSSION OF FINDINGS

The result of this study has shown that financial reward significantly correlates with employee productivity. It reveals that substantial reward and compensation of workers for their contributions enhances their work performance. The study revealed that over 45% of the population agreed that financial reward increases their zeal to work. However the study also shows that they do not receive additional financial rewards like pay raise and cash bonus. Based on the findings, the study concluded that financial reward has a positive and significant effect on employee performance in a government agency based in Lagos Nigeria. Salaries, wages, and bonuses are essential components of extrinsic rewards that enhance employee performance.

When managers take time to invest in extrinsic rewards, employees feel valued by their organization and thus work extra hard to enhance their performance, in order to be rewarded more. When employees are rewarded according to their qualifications and performance, they get satisfied with their job. This can be exhibited through low labour turnout and less absenteeism amongst employees. Effective financial reward within an organization and cultivating a culture towards continuous improvement and efficiency, backing this up with the appropriate level or combination of rewards at that particular point in time is crucial. This is in line with a study by (Asghar & Muhammad 2012) which concluded that financial rewards has positive impact on employee's motivation and satisfaction in pharmaceutical industry in Pakistan and also a study by (Rina & Siti 2018) which concluded that financial incentives have a positive effect on employee motivation.

CONCLUSION

The results of this study indicate that employees in the Nigerian copyright commission are motivated by financial rewards and the variables contribute to a great extent in improving their job performance. This means that if more focus is placed on financial reward by the management, there could be a resultant positive impact on the staff and hence results in higher levels of job performance.

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