

**EFFECT OF REWARD PRACTICE ON  
EMPLOYEE COMMITMENT IN EAST ADDIS  
ABABA DISTRICT DASHEN BANK**

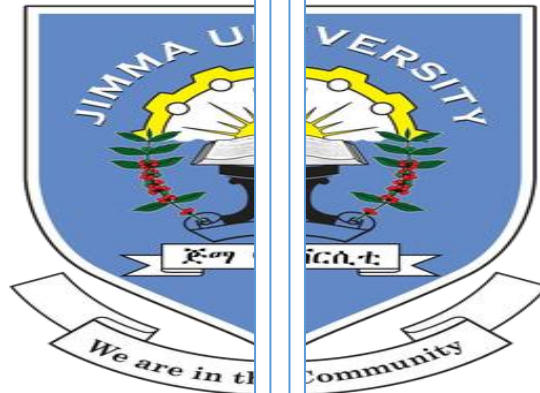
*A Thesis Submitted to the School of Graduate Studies of Jimma*

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## **ABSTRACT**

*Employees are an important asset to any organization. To utilize this asset maximally, the commitment of employees to the organization is crucial. Banks success in achieving their mission depends on the employee's capability that is being implemented which in turn bring employee commitment. The aim of this thesis was to depict the effect of reward practice on employee commitment at East Addis district Dashen bank context. To attain the objectives of this study descriptive and explanatory research design was used. By using stratified and simple random sampling techniques, 154 participants were involved in this research. Data was collected through questionnaire from a sample of 154 employees for East Addis district Dashen bank was conducted. The data collected from the questionnaire were analyzed using statistical tools such as mean, standard deviation, correlation, and multiple regression analysis. The results of this study indicate that, contrasting promotion and working condition the three reward practice (pay, benefit, and recognition) have positive and significant effect on employees' commitment. Additionally, the above-mentioned reward practice significantly contribute 37% to dimensions of employees 'commitment in Dashen bank. Based on the findings of the study, the researcher headlong wide-ranging recommendations to Dashen bank. Besides, the bank should give better attention towards promotion and working condition.*

**Keywords:** *Reward and employee Commitment*

# CHAPTER ONE

## 1. INTRODUCTION

This chapter is contained introductory part of the entire study. It provides some insights about the ground and assumptions where the study is conducted. It states background of the study and the company, statement of the problem, basic research questions, objective of the study, significance, scope and limitation of the study, and organizations of the study.

### 1.1 Background of the Study

Nowadays, human resources are seen as the primary source of any institution competitive advantage. It has been identified that close attention should be given to how individuals can be best motivated through such means as promotion, recognition, pay, bonuses and appreciations for organization to sustain as a competent (Brian, 2015).

The purposes of reward management are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. Reward management practice deals with the design, implementation and maintenance of reward systems (processes, practices and procedures) that aim to meet the needs of both the organization and its stakeholders (Armstrong, 2006).

In an organization, committed employees are regarded as being willing to build and maintain long-lasting relationships with their employer. Employees may be highly skeptical of the management initiatives and both actively and passively resist to the changes, resulting in unsuccessful change efforts, decrease in morale or productivity, and increases in turnover or subsequent organizational failures (Osterman, 2000).

The extent to which an organization combines financial and non-financial rewards in its reward strategy reflects a clear value position. Overreliance on pay as a motivator is likely to be accompanied by other human resource policies which assume a scientific management perspective (e.g. no involvement in management decisions, minimum employee control over the way in which jobs are performed). Recognition by the employer that non-financial rewards may play an important part in attracting, and more particularly retaining, employees suggests a view

of humanity which recognizes that individuals require more for their efforts than monetary reward (Burke and Hutchins, 2007).

Markova and Ford (2011) mentioned that the real success of companies originate from employees willingness to use their creativity, abilities and knowhow in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place. Committed employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation.

However, the reality of reward making it work is much more difficult and it requires a lot of effort and careful handling on the part of top Managers and line managers with the determined encouragement and guidance of HR. Because what matters to the employee performance is not only developing reward philosophies and strategies, but also the effective practices emanating from it and the messages it conveys to them as consequence (Roberts, 2005).

To inspire and guide employees to perform in alignment with the interest of the organization, managers should pay great attention to examine how and which rewards that perceives as motivating. All individuals have different personal drivers, and hence behave differently. Consequently, the organization should carefully consider which factors and elements that should be included in the reward system to enhance desirable employee commitment (Pink, 2011).

Most of the researchers were attempts to find out the relationship between job satisfaction and reward management practices, training, career development, industrial relation and some selected HRM practices. Those researches in service predominantly focused in organizations such as NGO and insurance (Yamamoto, 2006), Ethio telecom (Stella, 2013) and EELPA (Betelhem, 2015) Thus, this study tried to fill this gap in direction of reward practice and employee commitment in Dashen bank with particular reference of East Addis district of Dashen bank.

Similarly review of existing studies in Ethiopian financial sector revealed that even though reward management practice exist in the organization, the criteria that used to reward employee

is not adequate, reliable and valid criteria and there is high rate of turnover in the organization (Hareghewein, 2014).

It is suggested in the literature of human resource management and organizational behavior that non-monetary rewards act effectively in motivating employees. Its essence is to establish linkage with desired behavior and the outcome that makes the employee feel appreciated (Whetten and Cameron, 2007). Non-monetary rewards play a significant role in the perception of employee regarding the reward climate in the workplace (Khan et al., 2013). When organizations pay attention to non-monetary tools such as opportunity of increasing holiday and family benefits, the employee may perceive the organization as a supportive and caring organization. Rewards are important factors that explain certain job aspects contribute significantly to the organization such as job satisfaction. Rewards, therefore, involve all economic benefits that are being supplied by the organization - pay, promotion, verbal recognition and responsibilities (Deperi, Tortia and Capita, 2010).

The student researcher has two justifications for this particular study. The first is that reward refers to pay off for efficient and effective performance may be regarded as reward. A study on the effect of reward practice on employee commitment in banking sector employees' context is one of the organizational variables which is less studied mainly in our country (Novel, 2015).

Secondly, according to the researcher observation and formal discussion with different people who are working in the banking sector particular to the Dashen bank and the student researcher understood and believe that there is problem regarding reward practice of employees in Dashen bank (Interview, 2018). Hence, this study will investigate the effects of reward practice on employee commitment of banking sector in the case of Dashen bank.

## **1.2 Background of Dashen bank**

Dashen Bank was founded by eleven visionary shareholders and veteran bankers with initial capital of Birr 14.9 million in September 1995. Upon securing license from the National Bank of Ethiopia, Dashen opened its doors for service on the 1<sup>st</sup> of January 1996 with eleven fully-fledged branches. Dashen Bank coined its name from the highest peak in Ethiopia, mount Dashen, and aspires to be unparalleled in banking services. Ras Dashen is Part of the Simien

Mountains National Park, an exotic setting with unique wildlife and breath-taking views on a landscape shaped by nature and traditional agriculture.

Headquartered in Addis Ababa, the Bank is among the biggest private Banks in Ethiopia. It operates through a network of more than 370 Branches, ten dedicated Forex Bureaus, 305 ATMs and 812 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 462 banks covering 70 countries and 170 cities across the world. Wherever business takes customers around the world, Dashen Bank is already there.

Dashen is the most reputable brand in the domestic banking market; a reputation earned through consistent delivery of values and preeminence unmatched by its competitors. The Bank also works in partnership with leading brands in the electronic payments industry (AMEX, VISA, Master Card & Union Pay) and prominent money transfer operators (<https://dashenbanksc.com/company-profile/>. Accessed date, 04/01/2019).

### **1.3 Statement of the Problem**

In our more heavily skilled & knowledge based economy, employees have become the most important determinant factors of the organizational success. Reward management policies should take account of employees' aspirations, expectations & need of employees as well as stakeholders in the organization. (Armstrong, 2007). Employees desire certain rewards through their respective jobs. Organizational systems that have tendency to reward employees' performance would have a great contribution on the productivity of employees. The purposes of reward management are to reward people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. Reward management practice deals with the design, implementation and maintenance of reward systems (processes, practices and procedures) that aim to meet the needs of both the organization and its stakeholders (Armstrong, 2006).

Effective, fair, timely, consistent and market driven rewards can satisfy employees. The aim of reward management is to reward people fairly, equitably and consistently in accordance with Employee's contribution for organization (Armstrong & Murlis, 2004).

Previous research has shown that for employees, whose performance is rewarded when they go “above and beyond”, 90% are satisfied with their job, 88% are satisfied with the organization and just 12% consider leaving the organization. Amongst employees who say that their performance is not rewarded, 40% are satisfied with their jobs and 30% are satisfied with their organization, and 70% seriously consider leaving (Brian, 2015).

Recent studies that have been undertaken on factors influencing rewards include: Mutuku (2012) studied employee perception of competitiveness of performance based rewards in Kenya Electricity Generating Company Limited Kenya and established that the company was using performance based rewards in order to satisfy its employees with the work and encourage the employees to work towards the attainment of the organizational objective. The use of the rewards by the company changed their perception and as a result leads to additional interactions with management and provides new opportunities for employees to develop trust in management. Mutua (2011) who studied reward management and employee performance at the National Hospital Insurance Fund, Kenya. The findings were that the institution has a strategy for employee reward management spelt out in its strategic plan.

Most people are motivated by money at least for their basic needs and wants (DeNisi and Griffins, 2008). Employee commitment through reward can be in several forms including salary raises, performance bonuses, and other extra benefits such as vacations, cars and other tangible items that are used as rewards (Campbell, 2007). However, the student researcher, as an employee of Dashen Bank for more than three years, observed a wide array of problems especially in the benefits and payment administration team leader related to the practices and problems of reward, benefit packages and practice initiated the researcher to conduct this study. According to the team leaders’ explanation the bank has a benefit and reward package which is not revised as per the existing market conditions.

In Dashen Bank share Company employees complain that there is no thoroughly planned & consistent reward system, which considers employees aspiration & expectation. The only reward implemented are special benefits for higher level managers like sharing the annual benefit from the annual profit, telephone card with its apparatus, vehicle with its fuel allowance. (The telephone apparatus and the vehicle are returnable when they release the bank). The other reward

is that provided annually for one employee from a department or a branch. This reward is provided when the managers let employee to select the one who is the best performer in the eye of employees. The only one from the department or from branch who find the greater number of selection, he/she gets some monetary reward. The third reward is given to those employees who stay ten years in the company regardless of whether he/she is the best performer or not.

Although, these rewards create initiatives to only some part of employees, it also creates a feeling of unfairness between employees and a negative work environment. Although, these rewards create initiatives to only some part of employees, it also creates a feeling of unfairness between employees and a negative work environment. Therefore employees are not satisfied with the current reward system and there is a high amount of turnover. And according to the researcher's preliminary study, this might occur due to: no enough salary payment, no balance b/n effort & reward, No attention given to reward management practices from the management. Due to these reasons the student researcher was interested to undertake the study under such problem areas in order to deal with the possible solutions for the reward management problems. If Dashen bank does not solve this issue with in short period of time talented or skillful employees may continue to leave the company and the remaining employees' job satisfaction may be affected, the productivity of employees may decline and the performance of the company will be affected. So it may be important to asses and evaluate the reward practice on employee commitment in Dashen bank as a whole and establish whether its current reward systems have any bearing on employee commitment To the best of the researcher's knowledge, empirical studies that show the relationship between reward practice and employee commitment in Dashen bank do not exist. The gap in knowledge has also necessitated the proposed study. Filling this research gap makes this study unique.

#### **1.4 Basic Research Questions**

To achieve the research objective, this study attempts to address the following basic research questions. These are:

1. What is the effect of pay on employee commitment of Dashen bank?
2. What is the effect of benefit on employee commitment of Dashen bank?
3. What is the effect of promotion on employee commitment of Dashen bank?
4. What is the effect of recognition on employee commitment of Dashen bank?

5. What is the effect of working condition on employee commitment of Dashen bank?

## **1.5 Objective of the Study**

### **1.5.1 General Objective**

The main objective of this study is to establish the effect of reward practice on employee commitment at Dashen bank.

### **1.5.2 Specific Objectives**

The specific objectives are

1. To determine the effect of pay on employee commitment of Dashen bank.
2. To find out the effect of benefit on employee commitment of Dashen bank.
3. To determine the effect of promotion on employee commitment of Dashen bank.
4. To establish the effect of recognition on employee commitment of Dashen bank.
5. To examine the effect of working condition on employee commitment of Dashen bank.

## **1.7 Significance of the Study**

In addition to meeting the objectives of the study which are mentioned above the study would be significant in the following areas: This study would contribute:-

- ✓ It brings awareness to Dashen bank how the commitment of employees can be affected by the level of rewards provided to their employees.
- ✓ It suggests solutions to problems that would be helpful to both the employees as well as the management.
- ✓ Helps the management of the bank to understand the importance of reward and how it could be effectively delivered to the employees to improve their commitment.
- ✓ Give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues.
- ✓ **Other researchers:** This study will support other researchers by adding a literature on reward practice and employee commitment.



## **1.8 Scope of the Study**

The study is delimited by the following points.

**Subjective scope:** reward has four main pillars, which are the pay/salary, benefit, promotion, recognition and working condition aspect of reward. The study did not focus on other factors affecting of reward practice since the problem took place in the above mentioned aspects.

**Area/geographic scope:** Considering all private and government banks under this study is difficult and unmanageable from broadens point of view. In addition to that the rationales for the Dashen bank staffs were chosen due to the researcher proximity and being regular staff of the bank. Therefore, this study only focused on East Addis district of Dashen bank.

**Methodologically scope:** The research design of this study is explanatory research design survey type done by applying quantitative approach research. Finally the limitation of the study, sample respondent of employee would be taken for the study due to manpower and time constraint to incorporate all employee of the bank could take as limitation of the study.

## **1.9 Organization of the Study**

The paper is planned to be prepared in five chapters. The first chapter would deal with introductory part consisting of background of the study, background of the organization, statement of the problem, basic research question, objectives of the study, significance of the study, scope and limitation of the study, and organization of the study. In the second chapter of the paper there would be literature review, which presents various theoretical concepts, empirical studies and conceptual framework that are related with reward practice and employee commitment. This part gives a highlight on the theoretical of the topic under study. The third chapter was presented the research methodology. The fourth chapter by providing the data presentation, analysis, and discussion result would be made. Finally, the chapter five would incorporate summary of findings, conclusions and possible recommendations.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 Theoretical literature**

#### **2.1.1 What Is Reward?**

According to Armstrong and Murlis (2004), total reward concept emphasizes the importance of considering all aspects of reward as an integrated and coherent whole. Each of the elements of total reward, namely base pay, pay contingent on performance, competence or contribution, employee benefits and non-financial rewards, which include intrinsic rewards from the employment environment and the work itself, are linked together. A total reward approach is holistic; reliance is not placed on one or two reward mechanisms or levers operating in isolation. Account is taken of all the ways in which people can be rewarded and obtain satisfaction through their work. The aim is to offer a value proposition and maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. As O'Neal (1998) has explained: 'Total reward embraces everything that employees value in the employment relationship.' The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth (White & Drucker, 2000). According to Thorpe and Homan (2000), one of the most fundamental debates in the field of rewards management, concerns the extent to which employees are motivated by money

#### **Components of Total Reward**

Different authors agree on the classification of total reward in to two broad categories. However, the naming differs from author to author with similar connotation. To mention some of the classifications White and Druker (2000) classify rewards as Financial and non-financial rewards are financial such as merit pay, market based pay, performance related pay and non-financial rewards like needs of people for recognition, achievement, responsibility and personal growth.

According Koala Consulting and Training (2008) classify reward as extrinsic and intrinsic rewards extrinsic rewards e.g salary, bonus, and profit sharing etc. and intrinsic (e.g. a felling of completing challenges competently, enjoyment and social interactions). Regardless of the minor

difference, all categories discuss about the same thing. As a result, this study adopts the classification of financial and non-financial rewards.

According to Armstrong and Murlins (2004) Total reward is classified into two major categories i.e. financial and non-financial. Financial reward is further sub-divided into direct and indirect payments. Direct payment refers to payments which are made directly in cash to employees such as salary, wage, bonus, and other direct payments. Indirect payment, on the other hand, refers to employee benefits such as pensions/provident fund scheme, various types of leaves, insurance cover, medical cover, company cars, etc. The second category i.e. non-financial rewards refer rewards that do not involve any direct payments. They may arise from the work itself such as work autonomy, recognition, training, career development opportunities, achievement, and quality of work life.

A reward can be anything that attracts an employee's attention and stimulates him to work. It is the benefit that workers receive by performing a task and discharging a responsibility. Rewards is also defined as one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financial and non-financially. (Aktar, Sachu, and Ali, 2012). Rewards are the positive reinforcements given by the organization. Reward acts as effective motivators and help people to increase productivity and efficiency. (Gang, 2008).

Reward refers to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. It includes extrinsic and intrinsic rewards. (Bratton, 2007). Intrinsic rewards are derived from 'the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one's skills and abilities and sufficient feedback regarding the effectiveness of one's efforts. Extrinsic rewards on the other hand comprise promotions, private office space and the social climate. Other examples include competitive salaries, pay raises, merit bonuses and time-off' (Hatice, 2012).

## **2.1.2 Theories of Reward Practice**

### **2.1.2.1 Vroom's Expectancy Theory**

Vroom suggested that individuals will choose behaviors they believe will result in the achievement of specific outcomes they value. In deciding how much effort to put into work behavior, individuals are likely to consider three things; valence, instrumentality and expectancy. All these factors are often referred to as 'VIE' and they are considered to influence motivation in a combined manner. Managers should therefore attempt to ensure their employees that increased effort will lead to higher performance which will hence lead to valued rewards. (Njanja, Maina, Kibet, & Njagi, 2013).

Vroom's (1964) expectancy theory is helpful in emphasizing the complexity of individual thought processes which may or may not lead to action. It is suggested that assessments, firstly of whether effort is likely to result in achievement of a specific task and whether success in the task will lead to the individual's desired personal reward precede any possible action. It is this calculative thought process and the fact that the individual's desired reward may not be money that emphasizes the complex nature of an effective reward system. (Collings & Wood, 2009). Expectancy theory (Vroom, 1964 and Porter and Lawler, 1968), which states that motivation, will be high when people know what they have to do to get a reward, expect that they will be able to get the reward and expect that the reward will be worthwhile. (Armstrong, 2010).

### **2.1.2.2 Adam's Equity Theory**

Equity theory centers on the importance of feelings of fair treatment and the possible behavioral manifestations which may result from perceived inequity. This theory highlights the fact that individuals make comparisons and that feelings of unjust treatment in comparison with fellow employees may result in withholding effort, restricting output, reducing cooperation and even withdrawal. (Collings & Wood, 2009). Equity theory (Adams, 1965), which states that people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company

procedures in such areas as performance management, promotion and discipline are being operated. (Armstrong, 2010).

### **2.1.3. Reward Management**

Reward is clearly central to the employment relationship. The amount and the form of reward is an issue which matters most for employee and also central for human resource management functions; since money spent on salary, benefit and other form of reward typically accounts for well over half of an organization's total cost (Derek, T., Laura, H., Stephen, T. 2008). This days, organizations with varying degree of success, attempts to harness the powerful forces of pay as a motivator to encourage employees to work in ways that lead to the achievement of organizational objectives. There are many more forms of incentive payments, many varieties of recognition awards and the number of employee benefits has greatly expanded. (John, S., 2005).

According to Armstrong, 2010), Reward is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include arrangements for assessing the value of jobs through job evaluation and market pricing, the design and management of grade and pay structures, performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits.

Managing reward is largely about managing expectations what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. The tighter the labor market becomes, the harder it is to recruit and retain the best-qualified people, and the more pressure there is placed on employers to develop rewards packages that suit employees as much as they suit their own needs (Madhuri, K. 2014).

The key aim of reward management is to design reward packages which serve to motivate, attract, and retain staff. At the same time ensuring the organization commercial and financial viability is not affected by the cost of reward package. The significance employee put on their pay and their tendency of comparing their pay with relevant others makes the task very difficult. Any mistake on reward package has major negative consequences, it demotivate employee in a serious way, resignation of employee good employee, less effort and unhealthy employee relation climate, high level of absenteeism. In time this reduce organization's effectiveness and damage financial performance. (Derek, T., Laura, H., Stephen, T. 2008).

According to Stephen, P.R. (2002,) Reward package design is influenced by several factors; company profitability, size of the company, management philosophy, kind of job whether labor or capital incentive, employee performance, kind of job performed if it need high skill or not, are only some factors. Flexibility of reward design is also a key consideration. The traditional approach design pay based on seniority and job level. The contemporary approach to design reward is based on the skill of employee to lead the organization to objective of achievement. Yet the reward package must create a fair, equitable, motivating reward system that enable the organization to recruit and retain productive work force.

#### **2.1.4. Reward Strategy**

Derek, T., Laura, H., Stephen, T. (2008) defined reward strategy is a means of aligning an organization's payment arrangements and wider reward system with its objectives. In other word. Developing a system that leads the organization employee actively contribute to the achievement of its goals. It is deliberately using reward system as integrating mechanism to directing various units and individuals effort to the achievement of organization objectives. Contemporary reward administration frequently embraces a strategic approach where the mix and level of reward are chosen to reinforce the organization overall strategic objectives.

A written reward strategy must consist of for key elements, first one is 'statement of intention' what the organization wants to achieve and what reward strategy have been taken to achieve these core objectives. The second is 'rationale' present and explain objectives in more detailed manner and show how the various elements of organization reward policy support the accomplishment of those objectives. The rationale section must include the benefit that will be accrue and indicate a means that will be used to evaluate the success. The third element is;

explanation of a guiding principles that have been used in developing the strategy and that will be used to adapt them in the future. The final element of reward strategy document is implementation plan, set out exactly what the reward strategy brought forward and when, who has responsible for the introduction. (Madhuri, K. 2014).

## **2.1.5 Types of reward**

### **2.1.5.1 Financial Rewards**

According to (Aktar, Sachu, & Ali, 2012), Financial rewards means pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. it comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits.

### **2.1.5.2 Non-Financial Rewards**

Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non-financial rewards is also called materials award (Neckermann and Kosfeld, 2008). Non-financial rewards do not involve any direct payments and often arise from the work itself, for example recognition, achievement, autonomy, scope to use and develop skills, training, career development opportunities and high-quality leadership. Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work–life balance), recognition, performance management, and learning and development. Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile. Non-financial rewards can be classified as follows:

- i.** Individual extrinsic rewards: non-financial recognition, praise, feedback.
- ii.** Individual intrinsic rewards: fulfilling work, opportunity to grow;
- iii.** Collective extrinsic rewards: work–life balance policies, employee well-being services, concierge services, voluntary benefits, learning and development and talent management programmes;

**iv. Collective intrinsic rewards:** work environment enhancement and work system design.

Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary/ pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal. (Aktar, Sachu, & Ali, 2012)

#### **2.1.5.2.1 Intrinsic Rewards**

According to Ryan and Deci, (2000) cited in (Mansor, Borhannuddin, & Yusuf, 2012) an intrinsic reward is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence. It fulfills employee's intrinsic factors or motivators, thus motivating him. Examples include by giving challenging task, getting involved in decision making process, giving a higher rank in hierarchy etc. All these rewards do not require any increase in salary but the employee is still being motivated, feeling a sense of satisfaction of being given the opportunity of working at a higher management rank. An intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her. According to (Thomas, 2009) , the following are descriptions of the four intrinsic rewards and how workers view them:-

**A. Sense of meaningfulness:** This reward involves the meaningfulness or importance of the purpose you are trying to fulfill. You feel that you have an opportunity to accomplish something of monetary or non-monetary value and something that matters in the larger scheme of things. You feel that you are on a path that is worth your time and energy, giving you a strong sense of purpose or direction.

**B. Sense of choice:** You feel free to choose how to accomplish your work, how to use your best judgment to select those work activities that make the most sense to you and how to perform them in ways that are appropriate. You feel ownership of your work, believing in the approach you are taking and finally feeling responsible for making it work.

**C. Sense of competence:** You feel that you are handling your work activities well that your performance of these activities meets or exceeds your personal standards, and that you are doing



good, high-quality work. You feel a sense of satisfaction, pride, or even artistry in how well you handle these activities.

**D. Sense of progress:** You are encouraged that your efforts are really accomplishing something. You feel that your work is on track and moving in the right direction. You see convincing signs ahead that things are working out well, giving you the confidence in the choices you have already made now and in the future.

According to (Gilley, Gilley, Quatro, and Dixon, 2009), an intrinsic reward is a self-administered motivational stimulus. In short, it is a reward that comes from inside the employee, and is thus experienced by the employee as a natural by-product of performing certain tasks/jobs. Intrinsic rewards are valued emotional states experienced in relationship to the job itself. Intrinsic motivation and rewards are affected primarily via job design and ongoing career development. Specific intrinsic rewards include feelings of competence, personal development, and autonomy. Intrinsic Rewards are derived from the workplace itself and are valued internally by the employee.

These include opportunities for personal growth, quality of work life, job satisfaction, challenges, personal and professional development opportunities, a sense of belonging, freedom to act, visionary leadership. Intrinsic reward is a self-generating outcome such as personal esteem and fulfillment derived from say undertaking 'interesting' or 'useful' work. Extrinsic reward is reflected in more tangible monetary and non-monetary payments in the guise of wages or fringe benefits provided by others, usually the employer. Stephen B. (2005)

#### **2.1.5.2.2 Extrinsic Rewards**

According to (Mansor, et.,al, 2012), extrinsic rewards are defined as those remuneration factors that are external to the job such as pay, work condition, security, benefits, promotion contract of services and work environment. It also refers to the core organizational reality, as equitable rewards distribution does drive employee's morale. Extrinsic rewards drive employee's morale and the rewards distribution has always loomed large in corporations with performance appraisals in present eras of globalization. An extrinsic reward in fact fulfills employees' extrinsic factors or hygiene factors, invariably discouraging him from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people

control their size and whether or not these are granted. Extrinsic rewards and resource investment have been seen as necessary tools to motivate employee's creativity, especially in formalized tasks. Extrinsic rewards played a dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount.

Rewards may come in the forms of either monetary or non-monetary. Monetary reward is to compensate associates for excellent job performance through money and incentives, including profit sharing, project bonuses, stock options and warrants, scheduled bonuses, and additional paid vacation time. Non-monetary reward is to compensate associates for excellent job performance through providing opportunities, such as flexible working hours, training, pleasant working and business environment. Prior to this, Taylor (1911) cited in (Mansor, Borhannuddin, & Yusuf, 2012) stated that, an employee will be fully motivated if the employer pays reward (monetary) for the work done.

## **2.1.6 Reward Practices**

### **2.1.6.1 Base Pay**

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or the level of skill required. (Armstrong, 2010)

### **2.1.6.2 Employee Benefits**

Employee benefits refer to compensation other than hourly wage or salary. Three fundamental roles characterize benefits: protection programs (income and health, respectively), paid time-off, and accommodation and enhancement benefits. Protection programs provide family benefits, promote health, and guard against income loss caused by catastrophic factors like unemployment, disability, or serious illnesses. Paid time-off policies compensate employees when they are not performing their primary work duties, such as during vacation, holidays, and bereavement. Accommodation and enhancement benefits promote opportunities for employees and their families. There is a wide variety of programs, including stress management classes, flexible work schedules, and tuition reimbursement. (Stone & Stone-Romero, 2008) The employee benefits include:-

- A. Fringe Benefits - this can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services. (Ingham, 2007).

- B. Health Benefits - most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered. (Ingham, 2007).
- C. Flexible benefit - this benefit schemes allow employees to decide on the make-up of their benefits package within certain limits. (Armstrong, 2010).

### **2.1.6.3 Recognition**

Recognition is to acknowledge someone before their peers for desired behavior or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad. (Njanja, Maina, Kibet, & Njagi, 2013).

Recognition is one of the most powerful methods of rewarding people. They need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated. (Stredwick, 2005). The recognition should be meaningful, but also stay within established program boundaries: For example, recognition should be given only for performance considered over and above established standards. Recognition rewards usually are relatively small and are given at the time of achievement. (Ruddy, 2007).

The most common strategies of recognition programs according to (Ruddy, 2007) are:

- i. Rewarding employees for making exceptional contributions above and beyond their daily job functions.
- ii. Strengthening employee morale.
- iii. Increasing retention.
- iv. Tying performance to the company's mission.

According to Shore & Shore (1995) cited in (Khan, Shahid, & Nawab, 2013) employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for.

### **2.1.6.4 Promotion**

Promotion is an important feature of employee's life style and occupation, affecting other job experience levels and can have an obvious impact on other job aspects like job attachment and responsibilities. Additionally, promotion can influence the instrument of exerting better attempts,

if employees put an important value on it. If not, the companies would focus on pay increase to reward high effort and productivity. Indeed, the employees may be worth the promotions since they make an increase in job services. (Gohari, Ahmadloo, Boroujeni, & Hosseini-pour, 2013).

#### **2.1.6.5 Working Conditions**

The physical environment in which the work is performed is described here. Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professional and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included. (Ruddy, 2007) Working conditions is defined by criteria such as: a. Physical effort b. working environment c. Sensory attention d. Physical risks.

#### **2.1.7 Employee commitment**

According to Allen and Meyer (1990), organizational commitment is defined as „a psychological state that characterizes the employees relationship with the organization and has implications for the decision to continue employment with the organization. It is the psychological bond of the employees with the organization because of shared beliefs and values. In relation to this, organizational commitment is the relative strength of the employee’s identification with and involvement in a particular organization. According to Allen et al., (1990) Employees who are strongly committed are those who are least likely to leave the organization. Due to this commitment, employees who has positive contribution to the success of the organization by devoting full time, accepting and implementing the organizational goals and objectives. In other words they are ready to work extra time for the sake of the success of the organization.

#### **2.1.8 Models of employee commitment**

A search in the literature shows that the study of organizational commitment can be classified into various models. Models are important in the study of organizational commitment as they explore the different perspectives studied and documented and how they are expressed in an organizational setting. The various models classify organizational commitment as multidimensional. The following paragraphs will explore these models in detail.

### **2.1.8.1 O'Reilly and Chatman's model**

O'Reilly and Chatman (1986), as discussed in Meyer and Herscovitch (2001 p 305), developed their multidimensional framework based on the assumption that commitment represents an attitude toward the organization, and that there are various mechanisms through which attitudes can develop. Based on Kelman's (1958) work on attitude and behavior change, O'Reilly and Chatman (1986) argued that commitment takes on three forms, namely: Compliance: This occurs when attitudes and corresponding behaviors are adopted in order to gain specific rewards.

**Identification:** This occurs when an individual accepts influence to establish or maintain a satisfying relationship.

**Internalization:** This occurs when influence is accepted because the attitudes and behaviors an employee is being encouraged to adopt are congruent with existing values. The employee's psychological attachment can reflect varying combinations of these three psychological foundations (O'Reilly & Chatman, 1986). Organizational commitment is thus multidimensional and takes on three forms namely: compliance, identification and internalization.

### **2.1.8.2 Morrow's major commitments**

In her book, Morrow (1983) identifies five major commitments which she thinks have a reciprocal influence on each other. These five commitments are divided into two main groups. The first group examines commitments that influence work attitude with no relation to the organization in which the worker is employed. It includes commitments such as: Protestant work ethic (Mirels & Garret, 1971), Career commitment (Greenhaus, 1971) and Job commitment.

The second group includes commitments that are influenced directly by the organization in which the worker is employed, including both continuance and affective organizational commitment (Allen & Meyer, 1993). According to Morrow (1983), career commitment is connected to continuance and affective commitment to the organization. In turn, continuance commitment to the organization relates to affective commitment, and both of these commitments influence job involvement. Morrow (1983) argued that there is a reciprocal connectedness between the different levels of commitment.

### **2.1.8.3 Etzioni's model**

Etzioni's model encompasses three perspectives, namely: Moral commitment, Calculative commitment and Alienative commitment. These perspectives will be explored in the paragraphs below:

#### **(a) Moral commitment**

Moral commitment represents one of the two affective perspectives of organizational commitment. Calling it moral commitment, Etzioni (1961), viewed it as emanating from a symbolic compliance structure. Moral commitment is characterized by the acceptance of and identification with organizational goals (Patchen, 1970). According to Hall (1970), it may be thought of as a kind of organizational identification. Wiener (1982) labeled such forms of affective organizational attachment (e.g. moral involvement), commitment. He used this label because of his association of organizational identification with the commitment work of Porter and his colleagues (Porter, Steers, Mowday&Boulian, 1974; Steers, 1977). Thus measures such as those of Hall (1970) and Porter (1974) are currently intended to operational affective dimensions of commitment, similar to Etzioni's (1961) moral involvement.

#### **(b) Calculative commitment**

Calculative commitment is based on the employee receiving inducements to match contributions. Etzioni (1961) saw this type of organizational attachment as typical compliance systems which are based on an exchange. Thus, it is conceptually rooted in the exchange theory of Barnard (1938) and March and Simon (1958). Calculative commitment needs not be reduced to willingness to retain organizational membership. It may be thought of in the broader terms of an instrumental organizational attachment. In fact, retention or forfeiture of organizational membership – the traditional concept of calculative commitment may be more closely associated with an affective form of organizational commitment. For example, a willingness to forfeit organizational membership may be the result of anger (negative affect) towards the organization. Consistent with Etzioni's (1961) model, such feelings emanate from alienation (affective organizational attachment) rather than a calculative commitment. Moreover, retention of membership may reflect a personal identification with the organization, and such positive affect may be more appropriately associated with moral involvement in the Etzioni model (Etzioni, 1961).

### **(c) Alienative commitment**

Alienative commitment represents an affective attachment to the organization. Etzioni (1961) originally described alienative involvement as typical of a prison or military basic training camp in which a coercive compliance system is prevalent. Alienation can be viewed as a basis for organizational commitment if one thinks of an employee's commitment to the organization as a consequence of

- a) A lack of control over the internal organizational environment and
- b) The perceived absence of alternatives for organizational commitment (Etzioni, 1961).

Etzioni (1961) borrowed the word alienation from the work of Karl Marx who gave alienation its classic definition, a lack of control which is a perceived inability to change or control the organization in this context. To the alienatively committed worker, rewards and punishment may seem random rather than a direct result of the quality or the quantity of work (Etzioni, 1961). The employee's perceived sense of randomness provides the sense of loss of control.

Thus the negative affective attachment to the organization, ascribed by Etzioni to the alienatively involved employee develops. An employee who is alienatively committed to the organization may stay because of lack of alternatives or fear of serious financial loss. Thus, according to Etzioni (1961), alienative commitment is a negative organizational attachment which is characterized by low intensity of intentions to meet organizational demands coupled with intentions to retain organizational membership.

Organizational commitment is thus classified into various models, namely O'Reilly and Chatman's model, Morrow's major commitments and Etzioni's model. In the following few paragraphs, Meyer and Allen's three component model will be explored further. This is the model used in the current study.

### **Meyer and Allen's three-component model**

Meyer and Allen made the biggest contribution to the organizational commitment literature, with over fifteen studies published from 1984. Meyer and Allen's three component model of commitment was chosen for this study, because it has undergone the most extensive empirical evaluation to date (Allen & Meyer, 1996).

Meyer and Allen (Allen & Meyer, 1990; Meyer & Allen, 1984) developed their three component model from an identification of common themes in the conceptualization of commitment from existing literature. Common to all conceptualizations, they argued the belief that commitment binds an individual to an organization and thereby reduce the likelihood of turnover. The key difference is in the mindset presumed to characterize the commitment. The mindsets reflected three distinguishable themes: Affective attachment to the organization, labeled Affective commitment, perceived cost of leaving, labeled Continuance commitment and obligation to remain at the organization, labeled normative commitment (Allen & Meyer, 1990).

Meyer and Allen (1991 p 67) noted that organizational commitment is the view that commitment is a psychological state that a) characterizes the relationship with the organization, and b) has implication for the decision to continue membership with the organization. They describe these three components as affective, continuance and normative. The components are explored in the paragraphs below.

**(a) Affective orientation (affective)**

The first component of organizational commitment in the model is affective commitment. According to Meyer and Allen (1997) affective commitment is the employee's emotional attachment to, identification with, and involvement in the organization. „Organizational members who are affectively committed to the organization continue to work for the organization because they want to“ Meyer & Allen (1991). „Members who are committed on an affective level stay with the organization because they view their personal employment relationship as congruent to the goals and values of the organization, Beck & Wilson (2000).

Kanter (1968, p 507) defines it as the attachment of an individual's fund of affectivity and emotion to the group. According to Sheldon (1971), it is an attitude or an orientation toward the organization, which links or attaches the identity of the person to the organization.

Hall (1970) defines the affective component as the process by which the goals of the organization and those of the individual become increasingly congruent. It is also viewed as a partisan, affective commitment to the goals and values of the organization, to one's role in relation to goals and values, and to the organization for its own sake, apart from its purely instrumental worth (Buchanan, 1974 p 533). Gould (1979) observed that some employees put effort into their work beyond what appears to be instrumentally required for the expected reward,



and attributed this to the affective component of organizational commitment. Meyer and Allen (1997) further indicate that affective commitment is influenced by factors such as job challenge, role clarity, goal clarity, and goal difficulty, receptiveness by management, peer cohesion, equity, personal importance, feedback, participation, and dependability. Affective commitment development involves identification with the organization and internalization of organizational values (Beck & Wilson, 2000).

#### **(b) Cost based (continuance)**

The second component of Allen and Meyer's model of organizational commitment is continuance commitment. Meyer and Allen (1997, p 11) define continuance commitment as "awareness of the costs associated with leaving the organization". Kanter (1968, p 504) supports this definition and states that it is the "profit associated with continued participation and a cost associated with leaving the organization". „It is calculative in nature because of the individual's perception or weighing of costs and risks associated with leaving the current organization"" Meyer & Allen (1997). Meyer and Allen (1991) further state that employees whose primary link to the organization is based on continuance commitment remain because they need to do so.

„Continuance commitment can be regarded as an instrumental attachment to the organization, where the individual's association with the organization is based on assessment of economic benefits gained"" Beck & Wilson (2000). Another view to continuance commitment is that it is a structural phenomenon, which occurs because of individual-organizational transactions and alterations in side bets or investments over time, Hrebiniak&Alutto (1972).

Meyer et al (1990, p 715) also maintain that "accrued investments and poor employment alternatives tend to force individuals to maintain their line of action and are responsible for these individuals being committed because they need to". Individuals stay in the organization because of the investments they accumulate due to the time spent in the organization, not because they want to. This is different to affective commitment wherein individuals stay in the organization because they want to, and they identify with the organization and its values.

#### **(c) Obligation or moral responsibility (normative)**

The last component of the organizational commitment model is normative commitment. Meyer and Allen (1997) define normative commitment as a feeling of obligation to continue

employment. Internalized normative beliefs of duty and obligation make individuals obliged to sustain membership in the organization. According to Wiener and Gechman (1977) commitment behaviors are socially accepted behaviors that exceed formal and/or normative expectations relevant to the object of commitment. Normative commitment is also viewed as the totality of internalized normative pressures to act in a way which meets organizational goals and interests (Wiener, 1982).

The integration of the forms of commitment sensitized researchers to the multidimensional nature of commitment. What differentiates the various dimensions of commitment in the multidimensional conceptualization is the nature of the underlying mindset. Meyer and Allen (1991) argued that affective, continuance and normative commitment are components of organizational commitment, rather than types because the employee-employer relationship reflects varying degrees of all three. The multi-dimensional framework or conceptualization does not seem to be incompatible. Meyer and Allen (1991) suggested the lack of consensus in the definition of commitment contributed greatly to its treatment as a multidimensional construct.

Meyer and Allen (1997) use the tri-dimensional model to conceptualize organizational commitment in three dimensions namely, affective, continuance and normative commitments. Allen and Meyer (1996) urged researchers to investigate the dimensionality of organizational commitment across cultures to discern if multidimensional conceptualizations developed in the US are applicable to other cultures or not. Within past decades, a multidimensional approach to the conceptualization and assessment of organizational commitment has been proposed and refined (Allen & Meyer, 1990; Meyer & Allen, 1984, 1991, 1997).

Many studies have examined the construct validity of the Meyer and Allen's (1991) three component model and its measures. Allen and Meyer (1996) reviewed results from over 40 samples and claimed that construct validity was strong enough to support the continued use of scales.

## **2.2 Empirical literature**

Nazir, Quan, Akhtar, Shafi and Nadia (2015) conduct a study about the financial rewards climate and its impact on employee attitudes towards job satisfaction in the retail organizations. From the

analysis, it was found that financial rewards like rates of pay and fringe benefits affect employee attitudes towards job satisfaction but it was not the only factor. The job itself and the amount of work expected were the major influence up on those which were considered as dissatisfied. Nazir et al (2015) concluded that the management must pay attention to study specific indicators of financial rewards which can improve the satisfaction of their employees and improve their output.

The important relationships between job satisfaction and pay satisfaction have been well established in studies by Brown and Peterson (1993) as well as Roberts and Chonko (1996). Previous research (Voydanoff, 1980) showed that monetary compensation is one of the most significant variables in explaining job satisfaction. Lambert, Hogan, Barton, & Lubbock (2001) found financial rewards to have a significant impact on job satisfaction. Taylor and West (1992) found that pay levels affect job satisfaction. According to Artz (2008) suggests overall, fringe benefits play a significant role in determining employee job satisfaction.

Nick (2010) studied the relationship between pay factors and employee satisfaction. This study focused on how different pay factors influence the perceived employee rewards satisfaction and motivation and on how these two perceptions relate. Using policy capturing data obtained from 26 students, this study found a positive relation between satisfaction and pay factors. Furthermore, employee reward satisfaction and motivation were strongly related to the manner of payment. This study also found that the character traits risk aversion, self-efficacy and locus of control, mostly did not seem to influence the preference regarding either performance based pay or fixed pay, tangible rewards or non-tangible rewards, skill based pay or job based pay and rigid benefits or flexible benefits.

Cotterell (2013) examined the relationship between employee turnover reduction and extrinsic rewards of Groove Oy .The aim of this study was to discover applicable methods of reducing the employee turnover rate of Sales groove Oy through improving certain aspects of its human resource practices. The study objectives were to develop rewards, compensation and satisfaction strategy for the company that would help it identify and thereafter assist in retaining talented employees around which it can continuously build an efficient sales force which would ultimately lead to an increase in the organization's overall performance. A qualitative research method was chosen for this study because of the nature of the event being examined and the

study use interview as a method of collecting data The findings of this study revealed the reason for the high employee turnover rate is lack of extrinsic motivations like inequalities of salaries and identified methods that can be used to improve the extrinsic rewards, compensation and motivation efforts of Sales groove. The retention of critical talent to Sales groove begins with good salaries and payment process.

Pratik (2012)'s study on the factors driving employee salaries sought to understand the relationships between salary, non-monetary factors and job satisfaction in the labor market. It applied lessons from both economic theory and sociological research as it contextualizes and studies these different aspects of the labor market. In a regression comparing salary and non-monetary factors, only two out of 16 dummy variables were statistically significant. Both were positive work conditions, but Benefits (Positive) decreased salary and Long Hours (Positive) increased salary. In a regression comparing salary and job satisfaction, no statistical significance was found despite sociological research connecting the two aspects of work. Issues relating to limited sample size, subjective coding methodology, and the possibility of salary acting as an independent variable were discussed when explaining the lack of statistical significance. However, in line with the hypothesis and sociological research, six out of 16 dummy variables for non- monetary factors were found to be statistically significant with job satisfaction, with five of them at the 1% significance level. Opportunities for further research were identified in the use of personal employee information, the impact of management, and the distinct categories of happiness.

Garlick (2009) carried out an online study of 1,913 full-time employees and asked the respondents to rank in order of preference performance incentives. These performance incentives included common extrinsic rewards such as cash bonuses, gift cards, award points, travel awards as well as intrinsic rewards such as having more freedom and autonomy at work, being able to choose interesting projects and being assigned to mentor other employees. Not surprisingly, cash bonuses were listed as the most preferred incentive by three-out-of-four people (74%) surveyed. The results showed that offering a cash bonus exclusively does not seem to make much of an impact on performance, despite the fact cash bonuses are nearly everyone's preferred reward.

Cynthia and Frank (2011) conducted a study on commissions as a satisfaction tool for employee productivity. The aim of this research was to ascertain whether commissions satisfy employees, identify what kinds of commission employees consider most beneficial and finally discuss some dilemmas and difficulties managers face in applying motivation theory to workplace setting. In this research, the perceptions of commission as satisfaction and the dilemmas managers face in motivating their employees were explored through an analysis of twenty interviewees' in various positions and organizations in the Accra and Tema municipalities of the Greater Accra region of Ghana. The respondents were all employees who also had oversight responsibilities as managers or supervisors of between five to ten people. The findings suggested that while the use of commissions was vital in satisfying employees, there was the need for management and employers to have a clear understanding of the human nature and what actually satisfy employees. Finally, the findings of the study revealed that enhanced satisfaction of the employee can be attained when managers do their best to design the work benefits so they become satisfy in themselves while at the same time eliminate dissatisfaction factors at the work place.

Thomas (2012) examined the effects of satisfaction packages on employee performance. The study sought to assess the satisfaction packages available at Ghana Commercial Bank and how that affects employee performance towards the Bank's corporate objectives. The study revealed that management can make use of different strategies and policies to satisfy employees in the banking environment. The research also revealed that the core duty of the bank is normally carried out by clericals who are more than the supervisors and as such satisfaction packages should be geared towards the clerical workers to ensure that they delight the customers. The findings of the study revealed that if management withdrew satisfaction packages like commission, bonus and fringed benefits it will have serious repercussions on employees' performance. There was a positive relation between employee performance and corporate performance since employees were able to achieve the bank's performance indicators in terms of deposits, loan recovery, profitability and also ensuring the liquidity of the banks.

Ahmed and Ali (2008) carried out a research on the impact of reward and commission programs on employee motivation and satisfaction. The researchers used exploratory research design and a sample of 80 employees of Unilever companies. Using the questionnaire the study found out that there exist a positive relationship between rewards and work satisfaction as well as motivation.

The researchers recommended that further studies can be done on impact of reward and recognition on motivation and satisfaction for diverse groups of people such as race and disability.

### 2.3 Conceptual framework of the study



**Independent Variables**

**Dependent Variable**

**Source: (Herzberg's theory and Vroom's Expectancy theory).**

Fig. 2.1 Conceptual Framework

#### **Research Hypothesis**

- H0:1. There is no a positive and significant effect of Pay on employee commitment.
- H0:2. There is no a positive and significant effect of Benefit on employee commitment.
- H0:3. There is no a positive and significant effect of Promotion on employee commitment.
- H0:4. There is no a positive and significant effect of Recognition on employee commitment.
- H0:5. There is no a positive and significant effect of Working condition on employee commitment.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

### **Introduction**

Methodology comprises the approach, strategy, methods and procedures adopted to conduct research (Chanston and Mangles, 2003). This chapter deals with the methods that would use in this study. This chapter would organize under the following sub-headings:, research approach, research design, method of data collection, sampling technique and sample size, data source and type, validity and reliability, methods of data analysis, and ethical consideration.

### **3.1 Research Design**

The research design is explanatory research. It suggests or explains why or how employee commitment is happened, tried to answer the different variables for employee turnover. Consequently, see the relationship between the independent variables and dependent variable.

### **3.2 Research Approach**

The choice of a research approach is determined by a combination of many factors such as the research problem, objectives of the study, resource availability and personal experiences of the researcher (Creswell, 2009). Accordingly, this research employed quantitative research approach. Hence, considering the research problem and objective, the quantitative research approach is primarily will be used.

### **3.3 Data Type and Sources**

The principal sources of data for the research are both primary and secondary data. One of the primary source the questionnaire has three parts: demographic, reward practice, and employee commitment questions. The questionnaire was collected from every individual respondent. The second primary data source is interview which was conducted with the Director of Administration and Human Resource Manager.

### 3.4 Target Population and sample size

The targeted population for this study are employees at East Addis district of Dashen bank and branches under this district are the pool of the study. East Addis district, have 47 branches right now and 30% of the branches are only focus of this study including the head office of East Addis district of Dashen bank. This percentage is chosen because Mugenda and Mugenda (2003) also notes that a sample size of 10%-30% of the target population for a social study is adequate for research.

The sample size was considered as representative of the East Addis Ababa district of Dashen bank employees and this would expect as large enough to allow for precision, confidence and to generalize the research finding. Accordingly, 154 respondents was selected out of 252 employees. So that, the researcher used the following sample size determination formula developed by (Yemane, 1967). It is calculated as follows:  $n = N / (1 + N(e^2))$ , where, n= sample size, N= Population size, and e= the margin of error. Then at 5% significance level, the total sample size  $n = (252 / (1 + 252(0.0025)))$  is approximately equal to 154 employees.  **$n_i = n * p_i / N$ ,**

#### Where

$n_i$ = Sample size for branch,

$p_i$ = The total number of employees in each branch,

$N$  =the total number of employees in the East Addis district Dashen Bank,

$n$ = the total sample size for East Addis district.

Accordingly, the table below shows the proportionate sampling for each branches based on the above given formula. The 154 sample employees was distributed among the East Addis Ababa district banks in their proportion. Accordingly, the table below shows the proportionate sampling for each branch based on the above given formula.

Table 3.1: Population and Sample Size for Each Branch of East Addis District of Dashen bank

No	Branch Name	Target Population	Proportional Sample Size
1	East Head office branch	26	16
2	Imperial “ “	28	17
3	Bole “ “	28	17
4	Gurdsholla “ “	31	19



5	B/Medehanialem“ “	31	19
6	Meskel flower “ “	15	9
7	Airport“ “	12	7
8	CMC “ “	12	7
9	GerjiMebrathail“ “	10	6
10	Karraalo“ “	9	6
11	Kotebe branch“ “	10	6
12	Micky Leland godana“ “	8	5
13	Africa godana“ “	8	5
14	Edna mall “ “	8	5
15	MOENCO “ “	8	5
16	Gerji“ “	8	5
	<b>Total</b>	<b>252</b>	<b>154</b>

### 3.5. Sampling Techniques

This study would be used probability sampling techniques in order to give equal opportunity for the target population. According to Kothari (2004), probability sampling is also known as ‘random sampling’ or ‘chance sampling’. Under this sampling design, every item of the universe has an equal chance of inclusion in the sample. Since the aim of this study is to get actual information about the effect of reward practice on employee commitment in Dashen bank, the study focused on part of the target population at each level in selected branches of East Addis district. The choice in East Addis district is done by using simple random method through lottery method to every district of Dashen bank (East, West, North and South district of Addis Ababa).

Simple random sampling was applied to select target East Addis district of Dashen bank in Addis Ababa for the study. From the total of 252 in Addis Ababa, 154 employees were selected on the assumption that they represent the organization. That’s after getting the list of the employees from Ministry of Large tax payers in Addis Ababa, I wrote the name of the employees on a piece of paper and I blind folded selected 154 employees out of the 252 employees.

The population of this study was the permanent employees of East Addis district of Dashen bank in Addis Ababa. Close ended questionnaires were distributed using simple random sampling techniques in the selected employees. The rationale behind using simple random sampling method is each member of the population will have equal chance of being selected. Simple random sampling requires every member of the population to have an equal chance of being

selected into the sample. In addition, the selection of one member must be independent of the selection of every other member. After the sample size was calculated using the above formula, the samples were selected using simple random sampling; that's the researcher picked the name of employees blind folded and questionnaire were distributed to the randomly selected employees.

### **3.6 Methods of Data Collection Procedure**

Both primary and secondary data were used in the study. In order to make the research constructive and to make the reader comprehend its outcomes, secondary data were used. Those also contributed towards the formation of back ground information and empirical reviews. Primary data was collected through two major tools. The first was close ended questionnaire developed by the researcher based on the information from different literature and studies. Secondly, in order to reach the objectives in-depth interview with key informants had been used.

**The Questionnaire:** The questionnaire which is a set of structured that contained close-ended questions. The responses to the question measured on a five point Likert rating scale such as: Strongly agree (SA) = 5; Agree (A) = 4; Neutral (N) = 3; Disagree (D) = 2; Strongly disagree (1). The use of Likert scale is to make it easier for respondent to answer the questions in a simple way.

**The Interview:** This served as a tool to collect views from the respondents concerning the effects of reward practice on employees' commitment. The traits for reward practice are articulated in the conceptual framework of this study. The researcher prepared in-depth interview questions for the Director of Administration and Human Resource Manager, since interviews have power to measure the respondents' opinion, attitudes, and beliefs.

### **3.7 Reliability and Validity**

Validity and reliability are qualities that are essential to the effectiveness of any data gathering procedure. Validity refers the researcher's conclusion is true or correct with corresponds to the actual state of the world. Whereas, reliability indicates the accuracy or precision of the measuring instrument (Ghose, 2014). Cronbach's alpha measures the consistency of the participant's response to all the items in a questionnaire indicating the degree to which items that are independent measures of the same concept are correlated with each other (Ali, 2013).

Reliability were measured using Cronbach's alpha and the minimum value that would set as acceptable was  $\geq 0.7$  (Ali, 2013).

Table 3.2 : Rule of Thumb of Cronbach's Alpha

Cronbach's Alpha	Description
$\geq .9$	Excellent
$\geq .8$ but $< .9$	Good
$\geq .7$ but $< .8$	Acceptable
$\geq .6$ but $< .7$	Questionable
$\geq .5$ but $< .6$	Poor
$< .5$	Unacceptable

Source: Zikmund, et al, 2010

### 3.8 Methods of Data analysis

The research value is measured by the data analysis tools applied to the study. The quantitative data collected through the survey questionnaire was encode in to Statistical Package for Social Science (SPSS) version software. Then descriptive statistics, correlation and regression analysis conducted on the data to identify the relationship between the model construct and to test the hypotheses. Finally, to evaluate the level of causal relationship between the constructs, variables that found to have significant correlations undertake through multiple regression analysis. The descriptive data analysis tools such as mean and standard deviation used simply to describe the behavior data in terms how the reward practice enhancing employee commitment and to make the data easily identifiable and understandable.

#### Descriptive analysis

The descriptive statistical results was presented by tables, frequency distributions and percentages to give a condensed picture of the data. This achieved through summary statistics, which includes the means, standard deviations values which are compute for each variable in this study.

### **Pearson Correlation analysis**

In this study Pearson's correlation coefficient used to determine the relationships between reward practice dimension (pay, recognition, benefit, promotion, and working condition) and employee commitment.

### **Multiple Regression Analysis**

Multiple regression analysis is used to investigate the effect of reward practice (pay, recognition, benefit, promotion, and working condition) on employee commitment.

### **Regression functions**

The equation of multiple regression on this study is generally built two sets of variable, namely dependent variable (employee commitment), and independent variables (pay, recognition, benefit, promotion, and working condition). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

### **Regression Model:**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Coefficients of independent variables

Y = Employee commitment

X1 = Pay

X2 = Benefit

X3 = Promotion

X4 = Recognition

X5 = Working condition

$\varepsilon$  – Error

### **3.9 Ethical Consideration**

Measures was taken to ensure the respect, dignity and freedom of each participant of the study. Complete confidentiality of the study subjects were emphasized. Names of respondents would not be recorded anywhere on the final report. The researcher first informed participants the purpose of the study and requested their consent to take part in the research. Further, participants would tell that they have the right to withdraw from the study at any time if the feel uncomfortable with their participation. In this regard, all materials belonging to another person or organization would be properly acknowledged.

## **CHAPTER FOUR**

### **DATA PRESENTATION, DATA ANALYSIS AND DISCUSSION RESULTS**

#### **Introduction**

In the preceding chapter the research design employed in this study is presented and discussed in detail. The purpose of this chapter is to present results and analysis of data involved in this study. Accordingly, the reliability and validity test, descriptive statistics of all the variables used in this study and the results of hypothesis testing i.e. the estimated parameters of the regression equation, the connection between the independent variables and dependent variable according to the sign and the value of the parameters for the regression model are presented and discussed in detail. Questionnaires were distributed to 154 respondents. 112 respondents completed the questionnaires giving a response rate of 73%.

## 4.1 Characteristics of the respondents

Table: 4.1 Demographic Characteristics of Respondents

		Frequency	Percent
Gender of respondents	Male	60	53.6
	Female	52	46.4
	Total	112	100.0
Age of respondents	20-25	3	2.7
	26-35	43	38.4
	36-40	31	27.7
	41-54	33	29.5
	55 and above	2	1.8
	Total	112	100.0
Working experience	Less than 3 years	12	10.7
	3-5 years	4	3.6
	6-8 years	14	12.5
	More than 8 years	82	73.2
	Total	112	100.0
Educational status of respondents	Above masters	1	0.9
	Masters	64	57.1
	Degree	40	35.7
	Diploma	7	6.2
	Total	112	100.0

Source: Research data (2020)

In the 4.1 table, the Gender specification of the respondents is presented. A total number of male respondents was 60 and female respondents was 52. This shows that sampled male workers are

more than female workers. Therefore, this distribution justified the result show that there is equivalent range of employees in Dashen bank.

In table 4.1, the age of all the respondents of the survey is presented. In the table, the highest and lowest frequency of the age groups is mentioned. The highest frequency among these employees is between 26 to 35 years of age. This means that most of the sampled Dashen bank SC employees are categorized as young and middle age. The lowest frequency is for 20-25 years, which shows that fewer employees work under this age group.

With regard to service years of respondents in the company, 10.7% of the respondents had less than 3 years of experience, 3.6% are in the range of 3-5 years of experience. 12.5% categorized under 6-8 years of experience, 73.2% of the sampled employees have more than 8 years of experience. From this we can understand that most of the respondents are experienced employees.

With regard to educational level of respondents, above master's holders of respondent represented .9% of the employees, Master's Degree holders represented 57.1% of the employees; First Degree holders represented 35.7%. College diploma 6.2% of the employees.

## **4.2 Data cleaning and preliminary analysis treatment**

Data processing is necessary before the gathered data are being analyzed. This is to check through and filter any invalid or incomplete data that will affect the outcome of the data analysis.

### **4.2.1 Checking the questionnaire for completeness**

Before the data entry into the SPSS software for analytical purposes, researcher checked for the response of the questionnaires. Originally, there were 154 questionnaires been distributed to the respondents, however, I only managed to collect back 112 questionnaires from the respondents. Besides, I found that there are 42 sets of questionnaires were incomplete in which over 27% of the questions were left a blank. Therefore, the 42 questionnaires were forgone in order to increase the reliability and consistency of the response.

### **4.2.2 Data Coding**

The following step is coding which done by adding value based on the responses of the questionnaires. Researchers will assign every question with a code number to represent the

responses as well. Numerical coding will be inserted into the SPSS 20 Version software that is used for data analysis.

#### 4.2.3 Data entry

After the data coding, we keyed in 112 completed responses into the SPSS 20 Version software for data analysis. We keyed in the data according to the rules of data coding and after the data entry, we rechecked the data entered in order to ensure that the data has been entered correctly.

### 4.3 Reliability and Validity Results

#### 4.3.1 Reliability

After the whole interpretation, it is important to verify the reliability of the tests. All the hypothesis were tested to check the reliability of the results. To ensure the reliability and the consistency of the data for the study, reliability test was carried out on the data received from the 112 responses. We found that the reliability results for the reliable test are slightly increased compared to the results from the pilot test. All the alphas fall between 0.7 and 0.9, which means the reliability results are acceptable for the research. Thus, all the measuring items in the questionnaire are reliable and consistent in measuring the responses from the respondents. When it comes to data collection then Cronbach's alpha is the most popular technique used in research to test the reliability of the data. The exact value of this model is 1 (Sekaran, 2003).

Therefore, pilot test was conducted and this validation was made to get some evidence on whether the content of the items was relevant in helping to answer the research questions as well as to check the clarity of the questions. All the results were presented from SPSS and the test for reliability is presented below:

**Table 4.2: Reliability Study**

Dimensions	Cronbach's Alpha coefficients
Pay	.700
Benefit	.741
Promotion	.730
Working condition	.711
Recognition	.927
Employee commitment	.892

Source: research data, 2019



In this table, different levels of reliability are shown in each variable. The dependent variable is the employee commitment with reliability value of 0.892, and the independent variables are pay with reliability value of 0.700, benefit with reliability value of 0.741, promotion with reliability value of 0.730, working condition with reliability value of 0.711 and recognition with reliability value of 0.927.

#### **4.3.2 Validity test**

Construct validity exists when a measure reliably measures and truthfully represents a unique concept. Construct validity consists of several components, including face validity, content validity, criterion validity, convergent validity and discriminant validity (Zikmund et al, 2009). However, ensuring the face validity (how well they are measuring what they are intended to measure) and content validity (adequately cover the domain of interest) is the base for assessing other components of construct validity (Zikmund et al, 2009). Thus, for this study to ensure the validity of reward practice instrument face and content validity have been checked.

Face validity according to Zikmund (2009) refers to the subjective agreement among professionals that a scale logically reflects the concept being measured whereas Content validity refers to the degree that a measure covers the domain of interest. And to ensure face validity and content validity of the employee commitment survey instrument used in this study literature review was undertaken to see if there is consensus among professionals/scholars and scholars such as Allen and Meyer's OCQ confirmed the validity of the instrument.

In addition to the literature review to test the validity of the instrument my research project advisor of the institute were asked to evaluate the items on the instruments and all of them have expressed their agreement that the items on the reward practice survey instrument are measuring what they are intended for i.e., reward practice and they are within the domain of interest. Thus, confirmed the instrument has both content and face validity.

#### **4.4 Descriptive Statistics**

The summary of descriptive statistics that was intended to give general descriptions about the data (both dependent and independent variables) is presented below. Mean and standard deviation values of each variable were used so as to show the overall trend of the data.

This analysis is used to convert the raw data in a more descriptive way that provides us relevant frequencies and also the demographics like gender, age etc (Zikmund, Babin, Carr, & Griffin, 2012). Descriptive analysis is used to make a complete picture or profile of the basic component and angles of the whole study. In the descriptive analysis, the unprocessed data collected in the form of a questionnaire was interpreted and analyzed. While making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear.

**Table 4.3 Guideline for Interpreting Quantitative Data**

Range	Interpretation-1	Interpretation-2
1-1.8	Strongly Disagree	Very dissatisfied
1.81–2.6	Disagree	Dissatisfied
2.6 –3.49	Neutral	Moderately satisfied
3.5–4.9	Agree	Satisfied
5–5	Strongly Agree	Very satisfied

Source: (Best, 1977, as cited by Yonas, 2013).

**Mean:** it is similar to average. The mean is calculated when the sum of total values divided by the number of total values in a given sample of the population.

**Standard Deviation:** It is taken to identify the differences among the variables and the square root of standard deviation shows the variance.

#### 4.4.1 Respondents Perception on Pay/Salary

**Table 4.4: Mean and Standard Deviation of Pay/Salary**

Items of pay/salary	Mean	SD
My salary is satisfactory in relation to what I do.	3.41	1.222
The amount of basic pay I receives fair relative to the industry’s average.	3.26	1.169
The basis of payment, for example over time payment is reasonable.	3.58	1.167
Salary adjustment/increment is made within a reasonable / logical time period.	3.21	.996
Salary increments are made based on the performance results of workers.	3.34	1.022

Salary increment made for high performers will encourage others to perform more.	3.39	1.03
Cumulative of pay/salary	3.34	1.101

Source: Research data (2020)

The above table shows the mean and standard deviation of pay given by respondents of the study, when the researcher observe the mean value for salary, it is 3.3410, which makes it possible to say that more than half of respondents do have averagely good attitude towards the pay/salary offered by the Dashen bank SC while the remaining are not satisfied with the existing salary and benefit packages. The value of the standard deviation (SD= 1.101), i.e., value i.e. >1, implies that the responses of the respondents were dispersed. In other words, the standard deviation value indicates that the participants' responses are heterogenous and widely spread from the mean.

#### 4.4.2 Benefit

**Table: 4.5 Summary of response for benefit**

	Mean	Std. D.
There is equal treatment of each staff in the benefit system of Dashen bank SC.	3.3482	1.285
My medical scheme is satisfactory.	3.5893	.963
The medical and insurance schemes are attractive.	3.3839	.988
Provision of attractive housing loan policy will help to retain high performers.	3.6964	1.080
Benefit packages are modified as necessary to ensure organization's competitiveness.	3.3125	1.090
<b>Grand mean of Benefit</b>	<b>3.466</b>	<b>.504</b>

Source: Research data (2020)

Going through Table 4.5 shows that equal treatment of each staff in the benefit system of Dashen bank SC has scored mean of (3.46). This indicates that majority of respondents were neutral or neither satisfied with the level of treatment of staff in the benefit system of Dashen bank SC. The value of the standard deviation, (SD= 0.504), i.e., value i.e. <1, implies that the responses of the

respondents were not dispersed. In other words, the standard deviation value indicates that the participants' responses are homogeneous and not widely spread from the mean.

As indicated in Table 4.5 the item "my medical scheme is satisfactory" has scored mean of (M=3.58). This indicates that majority of respondents are satisfied with the item meaning that their medical scheme is satisfactory. The standard deviation for my medical scheme is satisfactory is .963 which is high. This implies that the respondents are generally satisfied in the scoring of their medical scheme. It can therefore be said that there were extremes in the scoring.

Going through Table 4.5 shows that the medical and insurance schemes are attractive shown a score of mean (M=3.58). This indicates that majority of respondents satisfied with the items meaning that the medical and insurance schemes are attractive. The standard deviation for the medical and insurance schemes are attractive is .988 which is high. This implies that the respondents were generally satisfied in the scoring of the medical and insurance schemes that was attractive. It can therefore be said that there were extremes in the scoring.

Go through Table 4.5 shows that the provision of attractive housing loan policy will help to retain high performers has scored mean of (3.69). This indicates that majority of respondents were satisfied with the items meaning that provision of attractive housing loan policy will help to retain high performers. The standard deviation for this item is 1.08 which is high. This implies that the respondents generally satisfied in the scoring of provision of attractive housing loan policy will help to retain high performers' items. It can therefore be said that there were extremes in the scoring.

Go through Table 4.5 shows that benefit packages are modified as necessary to ensure organization's competitiveness has scored mean of (3.31). This indicates that majority of respondents moderately satisfied with the items meaning that benefit packages are modified as necessary to ensure organization's competitiveness. The standard deviation for benefit packages are modified as necessary to ensure organization's competitiveness is 1.090 which is still high. This implies that the respondents generally moderately satisfied in the scoring of benefit packages are modified as necessary to ensure organization's competitiveness items. It can therefore be said that there were extremes in the scoring.

Therefore, the researcher surely can close that the organization compensation practice is averagely satisfied with the grand mean of (3.46) and this indicates that there is a gap in compensation activity because the overall mean states as per the interpretation law set by (best, 1977) it is totally averagely satisfied. Therefore the Dashen bank SC should give better attention for what currently is practicing with respect to the perceived benefit activity.

#### 4.4.3 Promotion

According to Parvin and Kabir (2011), promotion can be defined as “getting high status in the workplace by doing effective work, generally increase the status, position and remuneration of the employee in the organization”. Promotion can therefore be simplified as going towards upward positions in the organization. If organizations are not giving promotions to their employees then it is very likely that employees will be dissatisfied and their turnover rate will be high (Yaseen, 2013) When employees get promotion they will be more committed to their organization. Promotion is considered one of the most important elements for the employee satisfaction (Parvin and Kabir, 2011).

**Table 4.6: Summary of response for promotion**

	Mean	Std. d.
There exist an opportunity for promotion in the Dashen bank SC	3.2946	.84511
There is career path clearly communicated to every one	3.0179	.84876
Promotion is very important to improve my work motivation	4.2500	1.00897
Criteria for promotion is acceptable to me	3.3571	.98509
Staffs are promoted in a fair and transparent way	3.0446	.89431
I'm satisfied with promotion system of the Dashen bank SC	3.0357	.93893
Grand mean of promotion	3.3333	.59148

Source: Research data (2020)

Go through Table 4.6 shows that there exist an opportunity for promotion in the Dashen bank SC has scored the mean value of (M=3.29). This indicates that majority of respondents moderately satisfied with the items meaning that existence an opportunity for promotion in the Dashen bank SC. The standard deviation for exist an opportunity for promotion in the Dashen bank SC practice is .845 which is low. This implies that the respondents generally are not satisfied in the

scoring of exist an opportunity for promotion in the Dashen bank SC items. It can therefore be said that there were no extremes in the scoring.

Go through Table 4.6 shows that there is career path clearly communicated to everyone has scored mean value of (M=3.0179). This indicates that majority of respondents were moderately satisfied with the items meaning that there is career path clearly communicated to everyone. The standard deviation for there is career path clearly communicated to everyone practice is .84876 which is low. This implies that the respondents generally not satisfied in the scoring of there is career path probably not clearly communicated to everyone. It can therefore be said that there were no extremes in the scoring.

Go through Table 4.6 shows that promotion is very important to improve my work motivation has scored the mean of (M=3.0179). This indicates that majority of respondents moderately satisfied with the items meaning that promotion is very important to improve my work motivation. The standard deviation for promotion is very important to improve their work motivation practice is 1.00897 which is high. This implies that the respondents generally not satisfied in the practice of promotion in Dashen bank SC. It can therefore be said that there were extremes in the scoring.

Go through Table 4.6 shows that criteria for promotion is acceptable to me has scored mean of (M=3.3571). This indicates that majority of respondents were moderately satisfied with the items. The standard deviation for criteria for promotion is acceptable to me practice is .98509 which is high. This implies that the respondents were generally not satisfied in the scoring of criteria for promotion is acceptable to them. It can therefore be said that there were extremes in the scoring.

Go through Table 4.6 shows that staffs are promoted in a fair and transparent way scored mean value of (M=3.0446). This indicates that majority of respondents were not satisfied with the items meaning that staffs are promoted in a fair and transparent way. The standard deviation for criteria for staffs are promoted in a fair and transparent way practice is .89431 which is low. This implies that the respondents generally moderately satisfied in the scoring of staffs are promoted in a fair and transparent way. It can therefore be said that there were no extremes in the scoring.

Going through Table 4.6 shows that “I’m satisfied with promotion system of the Dashen bank SC” has scored mean of (M=3.0357). This indicates that majority of respondents moderately satisfied with the items meaning that they were satisfied with promotion system of the Dashen bank SC. The standard deviation for the item is .938 which is low. This implies that the respondents generally moderately satisfied in the scoring. It can therefore be said that there were no extremes in the scoring.

Therefore, the researcher surely can close that the institution promotion practice is weak with the grand mean of (3.3333) because the overall mean states as per the interpretation law set by (best, 1977) it is totally averagely satisfied. Therefore the Dashen bank SC should give better attention for what currently is practicing with respect to the perceived promotion activity. This result is inconsistent with The finding falls in line with Tessema and Soeters’s (2006) position in their research study that higher level of reward practice and better performance of employees is attached to good promotional practices.

#### 4.4.4 Respondents Perception on Recognition

**Table 4.7: Mean and Standard Deviation of Recognition**

Items of Recognition	Mean	SD
I get credit for what I do	2.67	.935
I receive constructive criticism (positive feedback)about my work	2.52	.966
The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	2.74	1.213
Proper recognition of high performers will encourage low performers to work hard.	2.5956	.82166
Cumulative of Recognition	2.683	.6538

Source: research data, 2020

The above table shows the mean and standard deviation of recognition given by respondents of the study, when the researcher observe the mean value for recognition, it is 2.683, which makes it possible to say that more than half of respondents do have averagely good attitude towards the recognition offered by the Dashen bank SC while the remaining are not agreed with the existing

recognition. The value of the standard deviation (SD= .6538), i.e., value i.e. <1, implies that the responses of the respondents were not dispersed. In other words, the standard deviation value indicates that the participants' responses are homogenous and not widely spread from the mean.

#### 4.4.5 Working condition

**Table: 4.8 Summary of response for working condition**

	Mean	Std. Dev.
My working hours are reasonable	4.6071	.54288
Office lay out is convenient to me	3.8661	1.18166
I'm free to be with my colleagues	4.3393	.78904
All the necessary resources for work are available	4.0179	.84876
I have good communication with my co-workers	4.4554	.80414
Grand mean of working condition	4.2571	.55633

Source: Research data (2020)

Go through Table 4.7 for the item “my working hours are reasonable” has scored mean value of 4.60. This indicates that majority of respondents satisfied with the items meaning that my working hours are reasonable. The standard deviation for my working hours are reasonable is .542 which is low. This implies that the respondents generally satisfied in the scoring of their working hours are reasonable items.

The item office lay out is convenient to me has scored a mean value of 3.8661. This indicates that majority of respondents were satisfied with the items meaning that office lay out is convenient to me. The standard deviation for office lay out is convenient to me is 1.18166 which is high. This implies that the respondents generally satisfied in the scoring of office lay out is convenient to their works.

With regard to the, I'm free to be with my colleagues scored a mean value of 4.3393. This indicates that the majority of respondents were satisfied with the level of their freedom to engage with their colleagues. The standard deviation for this item is .78904 which is low. This implies



that the respondents were satisfied in the scoring of the level of their freedom to engage with their colleagues.

With regard to “I’m free to be with my colleagues” has scored a mean value of 4.0179. This indicates that majority of respondents satisfied with the items meaning that all the necessary resources for work are available. The standard deviation for all the necessary resources for work are available is .84876 which is low. This implies that the respondents satisfied in the scoring of all the necessary resources for work are available items.

The above table indicates that “I have good communication with my co-workers” has scored with mean of 4.4554. This indicates that majority of respondents satisfied with the items meaning that they have good communication with their co-workers. The standard deviation for I have good communication with my co-workers is .80414 which is low. This implies that the respondents satisfied in the scoring of they have good communication with my co-workers items.

It can therefore be said that there were extremes in the scoring. Therefore, the researcher can conclude that the Dashen bank SC employee satisfied with the working condition (M= 4.25). Because, the overall mean states as per the interpretation law set by (best, 1977) it is satisfied and it is possible to infer that the working condition is low.

#### 4.4.6 Employee Commitment

**Table 4.9: Employee commitment**

<b>Employee Commitment</b>	<b>Mean</b>	<b>SD</b>
<b>Affective Commitment</b>		
I feel a strong sense of “belonging” to my organization.	2.63	0.932
This organization has a great deal of personal meaning for me.	2.65	0.938
I would be very happy to spend the rest of my career with this organization.	2.65	0.938
I owe a great deal to my organization	2.79	0.979
I feel emotionally attached to my organization	2.80	0.981
Cumulative mean of affective commitment	2.70	0.874
<b>Continuance Commitment</b>		

It would be very hard for me to leave my organization right now, even if I wanted to.	3.56	.831
I feel that I have too few options to consider leaving this organization.	3.52	.857
Right now, staying with my organization is a matter of necessity as much as a desire.	3.38	.927
Too much of my life would be disrupted if I decided I wanted to leave my organization.	2.73	1.053
One of the few negative consequences of leaving this organization would be scarcity of available alternatives	3.33	0.945
Cumulative mean of continuance commitment	3.33	0.748
<b>Normative Commitment</b>		
I would feel guilty if I leave my organization now because I have a sense of obligation to my organization	2.65	0.938
I really feel as if these organization's problems are my own.	2.63	0.932
Even if it were to my advantage, I don't feel it would be right to leave my organization	2.63	0.932
If I had already put so much of myself in to this organization, I might consider working elsewhere.	2.73	0.965
I feel obligation to remain with my current employer.	3.04	0.998
Cumulative mean of normative commitment	2.73	0.865

Source: Research data (2019)

The mean and standard deviations of the employees' commitment to their organization are presented in Table 4.6 as indicated by the respondents. The cumulative mean for affective, continuance and normative commitment has mean of 2.70, 3.3 and 2.73 respectively, this means that respondents have an average affective, continuance and normative commitment.

When we see from highest to lowest mean scores, respondents ranked their "Continuance commitment" with highest mean of 3.3 whereas their "affective commitment" having lowest mean of 2.70. From standard deviation scores, affective commitment has the highest value which is 0.87 and normative commitment has the lowest standard deviation which is 0.618.

Allen & Meyer (1990) didn't provide guidance about average, required, ideal, or expected means for affective, continuance, and normative commitment. Instead, Allen & Meyer (1990) studied to identify the positive and negative relationship between the different types of organizational commitment and the outcomes, as well as the pattern for those findings, and their level of influence. The desired pattern is highest scores for affective commitment, followed by normative commitment, then continuance commitment.

The results of this study reflect that the mean scores isn't consistent with the abovementioned outcomes that continuance commitment has highest mean followed by normative commitment, and affective commitment has the least mean.

One possible explanation for the low level of affective commitment and high level of continuance commitment could be unsatisfied economic needs of the respondents. According to Stum (2001) employees with unsatisfied economic needs do not pursue emotional attachment to their organization that's they have lower affective organizational commitment. The reason that these employees maintain low levels of emotional attachment with their organizations might be because they can't afford to ignore the possibilities of finding better rewards elsewhere.

The result obtained for the least desired type of commitment, which is continuance commitment, is higher than the desired level. One of the possible reasons might be employees with high levels of continuance commitment stay with the organization because costs of leaving the organization are too great or there are no other job prospects. That's employees don't have feelings of obligation or positive emotional attachment to their organization. These kinds of employees leave their organization as soon as they find better jobs.

The mean score of normative commitment is 2.72 and it's only slightly higher than mean score of affective commitment and lower than continuance commitment. This shows that the reason to stay with their organization is continuance commitment followed by normative commitment.

According to Demerouti et al. (2001) in collective society such kind of personal sacrifices to maintain interpersonal relations and to abide by group norms are common. The reason to stay with their organizations, for employees is a sense of obligation to their organizations and colleagues and/or. Such employees feel that he/she owes it to the employer to stay out of a

perceived obligation. Generally, the main reason for the employees to stay with their organization is continuance commitment followed by normative commitment.

## **4.5 Inferential Analysis**

### **4.5.1 Correlation Analysis**

Correlation analysis was applied to test the “interdependency” of the variables. In this section, the direction and degree of the strength of the relationship among the variables were determined; it is possible to examine the correlation among all dimensions of the independent variables (Pay, benefit, promotion, working condition, and recognition) and the dependent variables (employee commitment). The correlation results provide initial evidences for further analysis.

Using The Pearson’s Product Moment Correlation Coefficient ( $r$ ) the degree of association between the independent variables and the dependent variable were computed to determine the strength, direction and statistical significance of the relationships as shown in table 4.9.

Correlation analysis is useful way of exploiting relation (association) among variables. The value of the coefficient ( $r$ ) ranges from -1 up to +1. The value of coefficient of correlation ( $r$ ) indicates both the strength and direction of the relationship. If  $r = -1$  there is perfectly negative correlation between the variable. If  $r = 0$  there is no relationship between the variable and if  $r = +1$  there is perfectly positive relationship between the variables. For this study diction rule given by Bartz (1999) was used to describe the strength of association among the variables as follows.

**Table: 4.10 – Correlation Analysis Table**

		Employee Commitment
Pay	Pearson Correlation	.352**
	Sig. (1-tailed)	.000
Benefit	Pearson Correlation	.431**
	Sig. (1-tailed)	.000
Promotion	Pearson Correlation	.389**
	Sig. (1-tailed)	.000
Working condition	Pearson Correlation	.362**
	Sig. (1-tailed)	.000
Recognition	Pearson Correlation	.459**
	Sig. (1-tailed)	.000

Source: Research data (2019).

**Correlation analysis between and Pay and employee commitment**

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is pay, and the dependent variable, employee commitment. The results of the correlation between pay and employee commitment. In other words pay and employee commitment have relationship its influence is significant ( $r = 0.352^{**}$  with  $p < 0.01$ ).

**Correlation analysis between Benefit and employee commitment**

Pearson correlation test was also conducted for benefit and employee commitment and the results are as shown in table 4.10. As it can be seen from the table, there is significant positive correlation between benefit and employee commitment. This is to say that benefit and employee commitment are correlated in a relationship its influence is significant ( $r = 0.431^{**}$ ,  $p < 0.01$ ).

**Correlation analysis between promotion and employee commitment**

For these variables, promotion and employee commitment, also Pearson correlation test was conducted and the results shown in Table 4.10 were able to be acquired. As it is shown in the table, there is significant correlation between promotion and employee commitment. This implies that promotion and employee commitment have high relationship and its influence is significant ( $r = 0.389^{**}$ ,  $p < 0.01$ ).

#### **Correlation analysis between working condition and employee commitment**

In order to see the correlation between working condition and employee commitment, Pearson correlation test was conducted, and the results found were like shown in table 4.10. As it is clearly indicated in the table, there is significant positive correlation between working condition and employee commitment. In other words working condition and employee commitment have moderate relationship or correlation its influence is significant ( $r = 0.362^{**}$ ,  $p < 0.01$ ).

#### **Correlation analysis between recognition and employee commitment**

In order to see the correlation between supervision and employee commitment, Pearson correlation test was conducted, and the results found were like shown in table 4.10. As it is clearly indicated in the table, there is significant positive correlation between recognition and employee commitment. In other words recognition and employee commitment have strong relationship or correlation its influence is significant ( $r = 0.459^{**}$ ,  $p < 0.01$ ).

### **4.5.2 Testing Assumptions**

Every statistical test is conducted under some assumptions and assumptions according to Field (2009) explain when it is and isn't reasonable to perform a specific statistical test. Thus, the data of this study has been tested against the following assumptions to ensure the data is appropriate to conduct statistical analysis.

#### **4.5.2.1 Multi-Collinearity Test.**

Multicollinearity is a problem that occurs with regression analysis when there is a high correlation of at least one independent variable with a combination of the other independent variables. As variables are highly correlated in a multiple regression analysis, it is difficult to identify the unique contribution of each variable in predicting the dependent variable because the highly correlated variables are predicting the same variance in the dependent variable. (Marczyk, Dematteo & Festinger, 2005).

**Table 4.11: Multicollinearity test**

<b>Dimensions</b>	<b>Tolerance</b>	<b>VIF</b>
Pay	.730	1.370
Benefit	.735	1.361
Promotion	.591	1.691
Working condition	.672	1.487
Recognition	.614	1.629

Source: Research data (2020)

This test seeks to see whether the regression model has a correlation between independent variables. The multicollinearity is used to show the linear relationship among those variables. As depicted in table 4.11, it is found that the multiple regression test has no Multi Collinearity problem because the VIF on pay (1.370), benefit (1.361), promotion (1.691, working condition (1.487), and recognition (1.629) shows a value lower than a value of 10 and the values of tolerance statistics being well above 0.3 preferably. You don't have outliers and normality results. You should do outlier and normality analysis in SPSS, and take them up to preliminary analysis part before reliability and validity, along with Collinearity.

#### 4.5.2.2 Test of Normality (Skewness and the kurtosis Test)

In order to determine normality graphically, we can use the output of a normal P-P Plot. If the data are normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data are not normally distributed. As we can see from figure 4.1 the normal P-P plot above, the data is normally distributed.

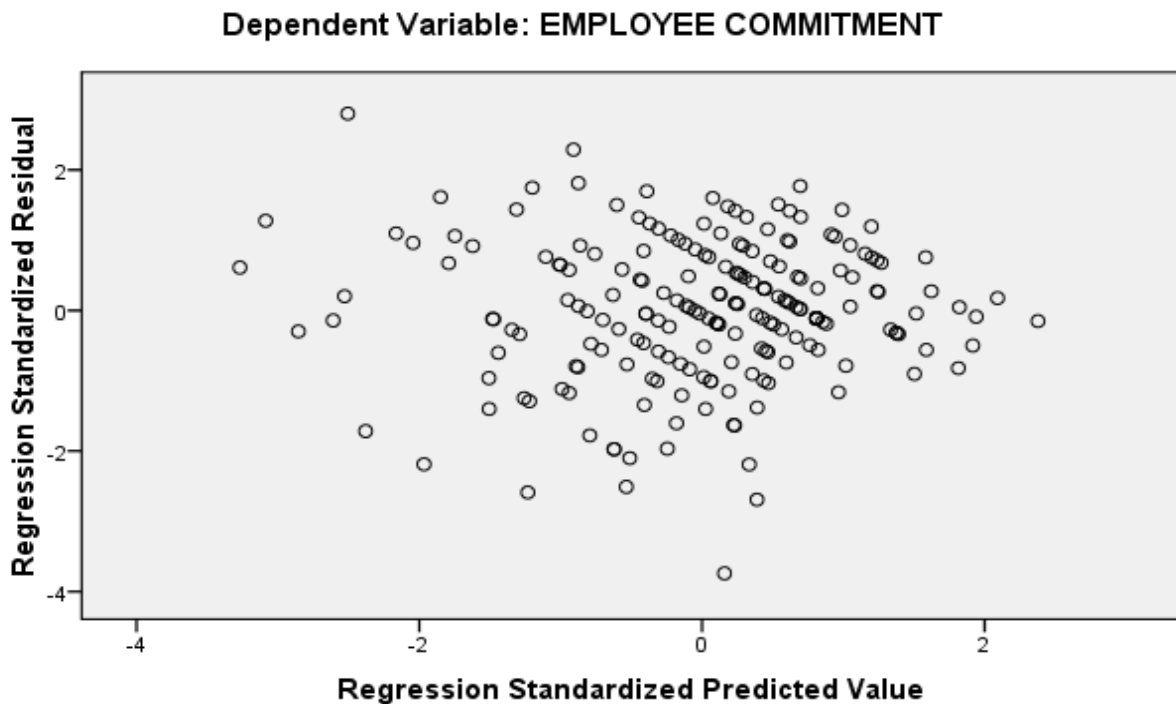
**Table 4.12 Normality of the Distribution**

<b>Descriptive Statistics</b>					
	<b>N</b>	<b>Mean</b>	<b>Skewness</b>	<b>Kurtosis</b>	
	<b>Statistic</b>	<b>Statistic</b>	<b>Statistic</b>	<b>Statistic</b>	<b>Std. Error</b>
Pay	112	3.5563	-.748	.226	.532

Benefit	112	3.0917	-.191	-.284	.532
Promotion	112	3.3781	-.194	-.516	.532
Working condition	112	3.2375	-.200	-.424	.532
Recognition	112	3.7200	-.800	.911	.532
Employee commitment	112	3.4021	-.173	-.304	.532
Valid N(listwise)	112				

Source: SPSS Result, 2020

### Scatterplot



Source: Research data (2020)

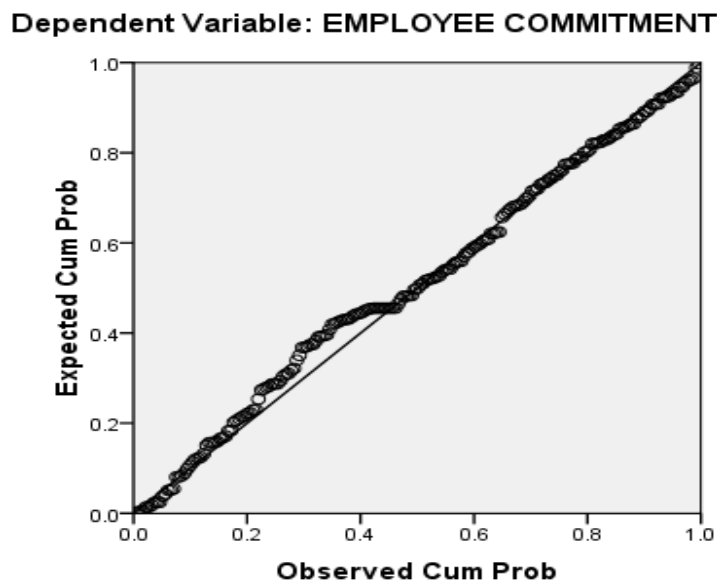
Fig 4.1 Scatterplot

**Scatter plot analysis test:** scatter plot graphs the actual values the data against the values predicted by the model. The scatter plot displays the actual values along the X-axis, and displays the predicted values along the Y-axis. It also displays a line that illustrates the perfect prediction, where the predicted value exactly matches the actual value.



Figure 4.1 show the patterns in scatter plots of employee commitment against the independent variables weather they have linear relation and the assumption have met. From the graph above the straight line shows the expected linear relationship, and the points scattered around that line show how the actual data diverges from the expected. This analysis tells you at a glance how closely a set of results is correlated with a particular input, and how much variation there is from the ideal model.

**Normal P-P Plot of Regression Standardized Residual**



Source: Research data (2020)

Fig. 4.2 Normal P.P plot of regression standardized residual

#### 4.5.2.3 Auto correlation

This assumption can be tested with the Durbin-Watson test which test for serial correlation between errors and the value closer to 2 are acceptable (Field, 2009). If the Durbin-Watson is substantially less than 2, there is evidence of positive serial Correlation. The Durbin-Watson statistics value are 1.738 suggests that there is no severe autocorrelation among error terms.

### 4.5.3 Regression Analysis

Multiple regression analysis was employed to examine the effect of reward practice on employee commitment. Multiple regression analysis was chosen because it helps to predict the linear relationship of a dependent variable.

### 4.5.4 Model Summary

**Table: 4.13 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.608 <sup>a</sup>	.370	.340	.32379	.370	12.426	5	106	.000	1.738

Source: Research data (2020)

In overall, table 4.13, revealed that all independent variables except the promotion and working condition accounted for 37% of the contribution for employee commitment ( $R^2 = 0.370$ ). Thus, 37% of the variation in employee commitment can be explained by the three dimensions and other factors may limit contribution of effect of reward practice to the employee commitment which accounts for about 63%.

**Table 4.14: ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.513	5	1.303	12.426	.000 <sup>a</sup>
	Residual	11.113	106	.105		
	Total	17.626	111			

Source: Research data (2020)

According to table 4.14 the analysis of variance (ANOVA) for these data, the F-statistic is 12.426, which is significant at  $p < 0.01$ . This result indicates that there is less than a 0.1% chance that an F-ratio this large would happen, if the directional hypothesis proposed about F-ratio were

true. Therefore, it can be concluded that the regression model overall predicts employee commitment significantly well.

**Table: 4.15: Regression Analysis coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.899	.309		6.150	.000		
Pay	.168	.071	.213	2.360	.020	.730	1.370
Benefit	.185	.047	.355	3.946	.000	.735	1.361
Promotion	.002	.068	.003	.033	.974	.591	1.691
Working condition	.065	.067	.090	.958	.340	.672	1.487
Recognition	.149	.062	.235	2.383	.019	.614	1.629

Source: Research data (2020)

**Equation One: for Regress effect of reward practice on employee commitment**

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + E \dots\dots$$

$$Y = 1.899 + 0.213X_1 + 0.355X_2 + 0.003X_3 + 0.090X_4 + 0.235X_5 + E \dots\dots$$

The Results of regression analysis against employee commitment can be seen in Table 4.14. The result shows that work itself has the power to explain employee commitment. In this case the results of regression of Pay and employee commitment taken into consideration. The regression analysis model summary indicates that pay which is entered into the regression model on SPSS has positive and significant value for employee commitment. Therefore, it is pointed out that 21.3 percent of pay can explain the dependent variable that is employee commitment. As it is indicated in Table 4.15, total pay was considered as predictors of outcomes of employee commitment and reported high level of significance  $p < 0.05$ . And also the R square value of 0.213 confirming that, 21.3% of the variation in employee commitment is explained by pay. Pay

as used for prediction was found to be significantly related to employee commitment as the p-value is less than 0.05. Therefore, the researcher may reject the null hypothesis and it is accepted that, pay has a positive and significant effect on employee commitment. This result is consistent with Larwood (1984), Landy (1989), Luthans (2006), Griffen and Moorhead (2009) and Sharma and Bhaskar (1991).

As it is indicated in the regression table 4.15 coefficients in the above given table, compensation explains employee commitment. As it is indicated in table, compensation was considered as predictors of employee commitment and reported high level of significance  $p < 0.01$  and also the r square value of .355 confirming that, 35.5% of the variation in employee commitment is explained by benefit. Benefit as used for prediction was found to be significantly related to employee commitment as the p-value is less than 0.01. Therefore, the researcher may reject the null hypothesis and it is accepted that, benefit has a positive and significant effect on employee commitment. This result is in agreement with Lai (2011) described that benefit is one of those satisfying variables which if hindered reduces the dissatisfaction level of employees.

The given table shows the results of regression analysis for promotion and employee commitment. In this case, the results of correlation of these two variables and r square (-.138) are taken into consideration. Therefore, it is possible to state that 0.3% of employee commitment is insignificantly explained by promotion. As it is indicated in table, promotion was considered as a insignificant predictor of employee commitment and reported low level of significance  $p > 0.05$ . The r square value of .003 also confirms that, 0.3% of the variation in employee commitment is insignificant explained by promotion.

Promotion as used for prediction was found to be positive but insignificantly related to employee commitment as p-value is less than 0.05. It is the lowest of all the independent variables in explaining employee commitment. Therefore, the researcher may reject the null hypothesis and accepted that promotion has positive and significant effect on employee commitment. Therefore its contribution to employee commitment is insignificant. This result is in agreement with De Souza, 2011) claims that the employee satisfaction is determined by satisfaction with promotion.

When employees perceive that there are golden chances for promotion they feel satisfied for the respective place in the organization.

The regression analysis result of working condition and employee commitment is as presented in table 4.15. As it is clearly indicated in the table 4.15, working condition explain employee commitment in Dashen bank SC. It is possible to state that 9% of employee commitment is insignificantly explained by working condition. Working condition was considered as not predictor of employee commitment and reported low level of significance  $p > 0.05$ . As it is indicated in the above table. And also the R square value of 0.090 confirms that 9% of the variation in employee commitment is explained by working condition.

Working condition not used for prediction was found to be insignificantly related to employee commitment as p-value is greater than 0.05. Therefore, the researcher may reject the directional hypothesis and accepted that working condition has no positive and significant effect on employee commitment. This result is in contradict with the finding of working environment has a significant effect to accomplish tasks successfully and which indeed contribute to employee commitment (Kawada & Otsuka, 2011).

The given table shows the results of regression analysis for recognition and employee commitment. Therefore, it is possible to state that 23.5% of employee commitment is significantly explained by recognition. As it is indicated in table, supervision was considered as a positively predictor of employee commitment and reported high level of significance  $p < 0.01$ . The r square value of .235 also confirms that, 23.5% of the variation in employee commitment is positively explained by recognition. Recognition as used for prediction was found to be positive and significantly related to employee commitment as p-value is less than 0.05. Therefore, the researcher may reject the null hypothesis and accepted that recognition has positive and significant effect on employee commitment. Therefore its contribution to employee commitment is significant. This research result is consistent with Griffin, Patterson and West (2001).

#### 4.5.5 Hypothesis testing

**Table: 4.16 Hypothesis**

Hypothesis	Result	Reason
------------	--------	--------

Pay has positive and significant effect on employee commitment.	Accepted	$\beta = .213$ ; $P < 0.05$
Benefit has a positive and significant effect on employee commitment.	Accepted	$\beta = .355$ ; $P < 0.05$
Promotion has a positive and significant effect on employee commitment.	Rejected	$\beta = .003$ ; $P > 0.05$
Working condition has a positive and significant effect on employee commitment.	Rejected	$\beta = .090$ ; $P > 0.05$
Recognition has a positive and significant effect on employee commitment.	Accepted	$\beta = .235$ $P < 0.05$

Source: research data, 2020

#### 4.6 Qualitative Analysis (Interview analysis)

The concerned interview with managers, The Human resource Manager said that the currently implementing reward system is going to be improved even though it is not comparative with other financial institutions.

Managers also interviewed concerning the fairness of reward system. The Human resource Manager responded that there is a plan to implement the fair reward system even though employees may not succeed or perceive as it is fair.

The Manager of Human Resource also interviewed how the organization integrates the reward policy and the human Resource Policy. They said that they because they did not have consistent reward policy, the two policies are apart. But the management is on its way to align reward policies with Human Resource policies.

Managers were asked about how they compare their organization with other financial institutions. The HR Manager said their organization is improving and going to do better from where it has been before.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

#### **Introduction**

In this chapter finding summary, conclusions of the research findings that have been analyzed and discussed in the previous chapter are briefly presented. Furthermore, based on the findings of the study, conclusion and possible recommendations are made. Finally, the identified area for further research is presented.

#### **5.1 Summary of Findings Descriptive statistics**

- Based on the cumulative result of descriptive statistics, Pay scored a mean of 3.34 and 0.504, and this infers that most of the respondents are moderately satisfied.
- With esteem to the cumulative result of descriptive statistics Benefit has scored a mean of 3.46 and 0.766, this implies that the overall respondents are satisfied.
- With regard to the cumulative result of descriptive statistics promotion has scored a mean of 3.33 and 0.591 moderately satisfied, and this result indicates that it moderately satisfied.
- With concern to the cumulative result of descriptive statistics working condition has scored a mean of 4.25 and 0.556, this result concludes that respondents are satisfied.
- With respect to the cumulative result of descriptive statistics recognition has scored a mean of 2.68 and 0.653. This result concludes that respondents are dissatisfied.

- With favor of the cumulative result of descriptive statistics employee commitment has scored a mean of 2.7 with 0.87, 3.33 with 0.74, and 2.73 with 0.865 respectively. This shows that employees are agreed.
- The correlation result show that there is positive and significant relationship between pay and employee commitment, benefit and employee commitment, promotion and employee commitment, working condition and employee commitment, recognition and employee commitment. The finding further indicates that the highest relationship is found between recognition and employee commitment and the lowest relationship exists between pay and employee commitment
- In overall, the results revealed that all independent variables accounted for 58.4% of the variance in knowledge, skill and attitudes ( $R^2 = 0.370$ ). Thus, 37% of the variation in employee commitment can be explained by the five reward practice satisfaction dimensions and other unexplored factors may limit employee commitment which accounts for about 63%.
- Moreover, from the findings of this study, researcher found out that not all of the reward practice dimensions have positive effects on employee commitment. Out of the five reward practice dimensions three dimensions (pay, benefit, and recognition) have positive and significant effects on employee commitment. However, promotion and working condition has a positive but insignificant effect on employee commitment

## **5.2 Conclusion**

Based on the above research finding and summary, the study have finally forwarded the following conclusion.

- Employee rewarding system can improve and increase employee commitment. In this circumstance, policy makers and supervisors have turned their attention to provide different kinds of facilities to their employees in order to satisfy their employees. The results suggest that the factors had satisfactorily explained employee commitment and that the policy makers and supervisors needs focus on the factors that affect employee commitment
- With regard to the Dashen bank SC staffs the opportunity of promotion practice is poor and it needs to be carried out in a way that is favorable for the employees in order to improve their



performance level. Moreover, the chance of employees being recognized for a job well done is also low since the findings from the study showed that the practice of recognition for a successful employee commitment in the respective departments is poor.

- Based on this most of the staffs are not satisfied with their working condition. The staffs are not comfortable with the way Dashen bank SC policies are put into practices. The institution have given little attention to the staffs in order to have the better feeling of being an important person for the institution. Based on this reasons employees are less satisfied with the working condition of the bank.

### **5.3 Recommendation**

Based on the finding of the present study the following specific recommendations are offered to increase the reward practice and employee commitment of Dashen bank SC.

- Regarding promotion opportunity the findings indicated that there is poor practice. Therefore, it is recommended that the concerned institution needs to continuously recognize good performance and administer the promotional opportunities in a fair and transparent way which considers all employees. Moreover, through different channels, they should clearly and repeatedly communicate its promotion and recognition policy and procedure or its reward system in general to its employees. For instance, for new employees, this has to be communicated at the induction program. Since communication plays a vital role to increase employees' awareness about what is expected of them and motivates them to work hard.
- The institution is recommended to create conducive working condition which is by creating an environment for individual, group, and society and follow up the employees to be engaged in their work in all the time. Such measures will increase their employees' commitment level.
- To create positive work environment: positive workplace is a necessity. If the workspace isn't positive, institution can't expect the workers to be positive. Encouraging one another, avoiding negative attitudes, giving positive feedback and ensuring criticism in a constructive way are all ways to keep the environment a place where employees can do more than survive –they can succeed.

- Finally, the researcher identified the limitation of the research project. In order to augment these limitations, the researchers identified the following areas for future study in order to extend the knowledge under the subject matter;
- The first area the researcher identified for further research was to undertake a project study through explanatory research design with the objectives to clarify why and how the above relationship existed among the basic factors of the reward practice with employee commitment of the organization.
- The study focused on Dashen bank SC's located in West Addis district of Addis Ababa. Additional research is necessary to determine if the relationships identified can be generalized to other private banks and government owned banks through comparative studies
- This study includes only five reward practice dimensions. However, there could be some other relevant factors that may be perceived as important to employee commitment. Thus, future research works needs to focus on such dimensions like perceived value, elements of task autonomy, work relation, recognition and so on.

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## Annex

### Questionnaire

#### Questionnaire Completed by DASHEN BANK employees

Dear respondent,

First of all my sincere gratitude goes to you. My name is Mahelet G/mariam. I am conducting this Thesis research for a partial fulfillment of master's degree in business administration (MBA). My study entitled "**Effects of reward practice on employee commitment at Dashen bank East Addis district**". Your responses will be kept utterly confidential, and it will be used for academic purpose only. Hence, you are kindly requested to give an accurate and sufficient data as much as possible.

**Thank you in advance for your cooperation!**

#### General Directions

You do not have to write your name

Put the symbol (√) that you think is/are the right choice (s)

#### **Part 1: General information filled by Dashen bank employees**

1. Gender:

Male  Female

2. Age:

20-25            26-35     36-40     41- 54     55 and above

3. Working experience:

< 3 year     3-5 year     6-8 year     More than 8 years

4. Education level:

PhD     Maters     Degree     Diploma     Grade 12 and below

**Part 2:** Please indicate your level of agreement (whether you agree or disagree) with each statement using the scale below as a guide: put (√) on your selection.

1= strongly Disagree    2= Disagree    3= Neutral    4= Agree    5= Strongly Agree

	Variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<b>SALARY/PAY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	My salary is satisfactory in relation to what I do.					
2.	The amount of basic pay I receive is fair relative to the industry's average.					
3.	The basis of payment, for example overtime payment is reasonable.					
4.	Salary adjustment/increment is made within a reasonable / logical time period.					
5.	Salary increments are made based on the performance results of workers.					
6.	Salary increment made for high performers will encourage others to perform more.					
	<b>BENEFIT PACKAGES (MEDICAL, INSURANCE)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
7.	The medical and insurance schemes are attractive.					
8.	The organization's housing loan policy is attractive.					
9.	Provision of attractive housing loan policy will help to retain high performers.					
10.	Benefit packages are modified as necessary to ensure organization's competitiveness					

	<b>PROMOTION</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
11.	There exist an opportunity for promotion in the Dashen bank					
12.	There is career path clearly communicated to every one					
13.	Promotion is very important to improve my work motivation					
14.	Criteria for promotion is acceptable to me					
15.	Staffs are promoted in a fair & transparent way					
16.	I'm satisfied with promotion system of the Dashen bank					
	<b>WORKING CONDITION</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
17.	My working hours are reasonable					
18.	Office lay out is convenient to me					
19.	I'm free to be with my colleagues					
20.	All the necessary resources for work are available					
21.	I have good communication with my co-workers					
	<b>RECOGNITION</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
22.	I get credit for what I do.					
23.	I receive constructive criticism (positive feedback) about my work.					
24.	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
25.	Proper recognition of high performers will encourage low performers to work hard					
	<b>EMPLOYEE COMMITMENT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
26.	I feel emotionally attached to my organization					
27.	I feel a strong sense of belonging to my organization					
28.	I would be very happy to spend the rest of my career with this organization feel like part of the family at this organization					
29.	I am proud to tell about this organization to people outside					
30.	I feel as if this organization's problems are my own problems					
31.	One of the major reasons I continue to work for this organization is that leaving would lead to considerable personal loss					
32.	Right now, I am working for this organization for survival not my desire					
33.	My life would be disrupted if I decided to leave my organization now					
34.	It would be very hard for me to leave my organization right now, even if I wanted to do so.					
35.	I feel that if I left this organization, there are no other alternatives available to me					
36.	It would be very costly for me to leave this organization right now					



37.	I would not leave this organization right now because I have a sense of moral obligation to work for this organization					
38.	I believe that a person must always be loyal to his /her organization					
39.	I don't want to leave this organization because my organization have done a lot of favor to me					
40.	I would feel guilty if I left my organization now					
41.	Even if it were to my advantage, I do not feel it is right to leave this organization					
42.	I agree that shifting from organization to organization is unethical					

**Appendix II**  
**Jimma University**  
**College of Business, Economics and Social Sciences**  
**Department of Management**  
**School of Graduate Studies in Business Administration**

**Interview Checklist**

I would like to express my deep appreciation for your generous time, honest and prompt responses. This questions of interview are designed to collect data about the *“Effects of reward practice on employee commitment in Dashen bank”*. The information that you offer me with this interview used as a primary data in my case study which I am conducting as a partial fulfillment of the requirements for the degree of Masters of Business Administration (MBA) at Jimma University.

**Mahelet G/mariam**

**Thank you in advance, for your cooperation!**

1. Does the Bank have Reward Management System?
2. How much fair the current Reward Management System?
3. How does the organization relate the Reward Policy with the Human Resource Policy?
4. What are the factors Considered in rewarding employee?
5. Does the current reward system motivate the employees of the organization?

6. What type of reward your organization mostly provide for employees?
7. What is the significance of rewarding employees?
8. What are the factors affecting the reward system in your organization?
9. How Much the current implementation of the reward system is effective in your organization?
10. When you compare the reward system of your organization with other companies, is it beneficial or not?