



## The Impact of Non-Monetary Benefits on Employee Performance in Commercial Banks of Hyderabad, Sindh, Pakistan

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### Abstract

The purpose of this research was to analyze the impact of Non-monetary rewards on employee job performance in private banking sector of Hyderabad Pakistan. The study focused on factors such as recognition, career development, flexible working schedule (independent variables) and employee performance (dependent variable). The relationship between dependent and independent variables are empirically verified through statistical methods. The statistical tests like reliability test and multiple regression statistics were used for data analysis. Primary method was adopted for the collection of data in the form of questionnaire. Total respondents were 50 that were physically contacted. In reliability test all variables (03 independent and one dependent variable) were found reliable with good and excellent remarks. The value of Beta indicated positive relationship with dependent variable i.e. employee performance. In multiple regression analysis, independent variables recognition, career development and flexible working schedule were found insignificant.

**Keywords:** Non-Monetary Rewards, Monetary Rewards, Career Development, Flexibility Schedule And Recognition

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## INTRODUCTION

In modern age of technological revolution, business world has undergone drastic modifications. Today the world has been transformed into a global village due to the rapid technological development especially in terms of communication and competition in business world. Multinational organizations and global corporations are now becoming more customers oriented, decreasing overall cost and improving the quality of their products/ services being offered in the market. Employee performance plays an elementary role in increasing long-term organizational growth and sustainability, and employees perform well only when they are satisfied from what they are getting in return against their contributions in organization. Employee performance depends upon several factors; it can be improved as well as it can be declined. Earlier; employers believe that monetary rewards are the only factors that can improve employee productivity/performance but slowly and gradually it had been witnessed that non-monetary rewards also play a role of backbone in increasing job satisfaction of the employees which ultimately leads towards better job performance and overall organizational growth.

On the other hand, de-motivated employees more likely would not contribute the way they are supposed to or they would not contribute till the expected level of job performance. Monetary Rewards means having explicit financial value that can be in form of salary increment, commission, bonuses, any cash remuneration, profit sharing, stock options and etc. Non-Monetary Rewards means having explicit non-financial value that can be in form of accommodation facility, healthcare sponsorship, life insurance and conveyance facility etc. Various

studies have been conducted regarding monetary and non-monetary rewards and it has been found that both reward systems proved beneficial in motivating employees and retaining them within the organization for long run sustainability and growth. In this research our main focus is on the impact of non-monetary rewards on employee job performance.

The previous studies did not conduct any research regarding employee performance with respect to non-monetary rewards in banking sector of Hyderabad Pakistan. It has been observed that important factors such as employee recognition, career development, flexible working schedule and employee performance have not been taken in to consideration. The purpose of this research is to analyze the impact of Non-monetary rewards on employee job performance in private banking sector of Hyderabad Pakistan. The study focuses on factors such as recognition, career development, flexible working schedule (independent variables) and employee performance (dependent variable). The objective of this research are,

- To analyze how recognition influences on employee performance in commercial banks of Hyderabad.
- To analyze how career development influences on employee performance in commercial banks of Hyderabad.
- To analyze how flexible working schedule influences on employee performance in commercial banks of Hyderabad.

## LITERATURE REVIEW

### Non-Monetary Rewards and Employee Performance



When we talk about rewards, what usually comes into our mind is salary or pay. We often tend to see incentives from a financial point of view. However, that's not the case. In fact, any stimuli or motivator that boosts the performance of employees is regarded as reward. Srna E. Dinc, (2017) write that while monetary rewards are those that are usually money-based, the non-monetary rewards are not directly linked with financial means. All such kinds of rewards are put in place due to one significant reason and that is 'employee performance'. Karkas, F. (2010) define performance as individual's work achievement after putting in great efforts on the job which is linked with various factors such as getting meaningful tasks from the employer and having compassionate employees.

There are several studies that explore the relationship between the Non-monetary rewards and employee performance, some of which are discussed here. According to Rahendran. M (2017), non-monetary compensation serves as a tool used by managers to enhance the performance of employees and explore their potential. It was revealed in this particular study that the employees working at Bako agriculture research center Ethiopia greatly regard the recognition, decision making power and flexible working schedules given to them by their managers. In fact, such non-monetary rewards increase their willingness to do even better and perform beyond their horizons in order to achieve the organizational goals. However, the extent to which these non-monetary benefits are provided in this organization is inadequate and therefore, it was recommended by the researchers to increase such non-monetary benefits not only to compensate the already inadequate salaries but to increase employees' satisfaction and job performance too.

Nyaribo, O. a. (2016) conducted a descriptive study aimed at identifying the impact of non-financial compensation on the performance of employees working in micro-finance institutions of Kenya. All three management levels; senior management, middle management and the employees participated in this survey to share their respective point of view. It was revealed in consensus that the non-financial compensation and benefits help increase the productivity of employees by enhancing the efficiency, increasing the profitability, improving the service delivery and ensuring effectiveness. Owing to all these benefits, the micro-finance sector in Kenya is greatly relying upon rewarding the employees with non-financial benefits to further enhance their overall performance.

As per a writer in 2016 write that there is a positive relationship between performance and non-monetary incentives, as revealed in the survey conducted from 200 employees working in different banks across Bahrain. It was revealed that when employees are rewarded with recognition, they tend to become more innovative in terms of their ideas and come up with creative and new techniques to tackle work-related quests. For the given reasons, the banking sector of Bahrain is greatly emphasizing upon such non-monetary incentives. This helps employees to be more productive in terms of their performance and they also get a chance to explore innovative ideas that help them deal with the day to day banking and financial activities. In fact, this study also emphasizes upon the need to understand the job requirements of employees so that the non-monetary compensation plan for each employee can be devised accordingly by the managers.

It is clear by now that non-monetary rewards directly impact the performance of employee. These non-monetary rewards may be of various kinds; however, this study explores only three kinds including recognition, career development and flexible working schedules. The scholarly work on each of these variables is discussed below.

### Recognition and Employee Performance

The term 'recognition' has been defined by several scholars in their respective papers. Some scholars define recognition as an act of praising or acknowledging the achievements of employees including even the little gestures that are of great importance to the employees.

A number of researchers have studied the impact of recognition and some of those scholarly articles are discussed in this report. Ndungu (2017) studied the effects of recognition on the performance of employees working in a Kenyan university through a descriptive study. Recognition of their work as a major source of motivation that influences them to continue the same behavior, and this act leads to an overall enhanced performance of employees.

Stajkovic, A (2014) wrote a research paper aimed at exploring different theories, research articles and practices that advocate for the impact of recognition on employee performance. In the light of social cognitive theory, it was explored in this study that recognition directly helps the employees in achieving self-efficacy which ultimately leads to an enhanced performance of employees.

Khan, S. (2011) conducted a survey from 100 employees working at Al-Karam Towel Industries (Pvt.) Ltd Karachi in order to identify the impact of recognition on their performance. It was also stated that recognition is one such reward that is needed by all the employees, irrespective of the level of hierarchy they belong to within the organizational structure. Employees also believed that day to day recognition of their work motivates them to continue doing the hard work. These studies determine the positive relationship between recognition and the performance of employees. Hence this study develops its first hypothesis,

H<sub>01</sub>: There is no effect of recognition on employee performance.

H<sub>a1</sub>: There is significant impact of recognition on employee performance.

### Career Development and Employee Performance

Career development is defined as process to reach your desired future. As defined by the Cambridge dictionary Career development is an ongoing process to develop your skills, abilities and knowledge over time to perform better on the job and achieve your desired goals. According to scholars career development is a process in which individual plan a series of possible job in an organization over a span of time with suitable skills to acquire the positions as there is an opportunity.

When it comes to employee performance there is a great role of career development. Individuals who just start their career are anxious to grow and learn fast they prefer to perform well so that they can unlock new opportunities. In past studies conducted refer there is a strong connection of employee performance with career development. Nasution, F. N., Mariatin (2018) conducted the research in banking sector to see the impact of career development and 242 daerah bank employee were involved the results reflected that career development pairing with organizational culture positively impacts the performance of employee's and concluded that the implication can contribute in betterment of organization by career development.

In recent study Jyoti, (2017) in HDFC bank quoted that in HDFC bank they conducted training programs for the individual development and the results were that it positively impacted employee performance. In competitive work environment the study says performance is the key to attract good talent and on the job trainings and redeployment are key factor to succeed in Indian banks. Hence banks work on these policies so that individual as well as organization goals are achieved.

Irene M. Kauai (2016) conducted a research and found that when we wanted to improve the employee performance career development is used as a tool. The study was conducted in a



sector of Nairobi 100 sample was selected using a close ended questionnaire and the results showed that is a strong positive impact of career development on employee performance that impact the competencies of employees enhance their ability to perform well. Previously Ahmed. M (2015) conducted a research in Nairobi to check the relationship between career development and employee engagement towards job by doing a descriptive study he targeted 433 employees and by random sampling by questionnaire. The results suggest that there is a great impact of career development on employee's productivity. According to study Government should form such HR policy that are career focused to avoid any deficiencies and for a proper training program. Career development should be a key focus area for HR. with all the strong connection an Indian researcher conducted a study Rajinikanth, J. (2014) quoted that training programs play an essential part to improve the employee efficiency by making them ready for career progression in the present job. They considered training and career development as a retention tool specifically in banking industry. With help of such programs workforce tend to deliver better and improve the performance hence he according to their study it is an essential tool in banking industry. This reflects there is connection that has been studying from past years training and developmental experiences are important for employees to grow that is beneficial for the organization. These studies reflect that career development is direct indicator that positively impacts on performance. Hence this study develops it second first hypothesis,

H<sub>02</sub>: There is no effect of career development on employee performance.

H<sub>a2</sub>: There is significant impact of career development on employee performance.

### Flexible Working Hour and Employee Performance

Flexible working schedule is the tool that uses to increase productivity, job satisfaction, efficiency in the work, enhance performance, improved the quality of life, it decreases absenteeism and decrease overtime cost of the organization. It is the reciprocally advantageous accords between employee and employer to enhance employee productivity and higher profitability of the organization.

According to (Daro, 2017) the purpose of this research was to check the null hypothesis that there is a relationship between flexible working hours and the employee's performance. The survey of the employees of telecommunication/call centers has been conducted with a convenient sample size of 200. Flexibility in the working hours is a source of job satisfaction and the quality of life among employees. Many organizations encourage and support the flexible working hours because it is beneficial for both the employees and the organization. Hence this study develops it third hypothesis,

H<sub>03</sub>: There is no effect of flexible working schedule on employee performance.

H<sub>a3</sub>: There is significant impact of flexible working schedule on employee performance.

### METHODOLOGY

The research design is based upon Quantitative approach that is done by using questionnaire i.e. an important tool to collect primary data. This is an appropriate measure because it is an effective and efficient way to conduct the research in short time frame. The population for this study was unknown therefore according to Roscoe, J. T. (1975) and Sekaran, U.(2003) the role of thumb states that sample of unknown population should be larger than 30 and less than 500 are appropriate for most of research. In a multivariate study that uses regression analysis, which the sample size should be 10 times of the variables present in study. Following this rule there

are 4 variables in this study and (10 times) of that will be forty (40) respondents. Hence, data was collected from 40 respondents of five different private conventional banks in Hyderabad Sindh Pakistan. The data was collected using questionnaire at 5-point Likert scale that is a standard way. Afterwards, the filled questionnaires were collected back. The anonymity was maintained. SPSS software was used for data analysis.

### DATA ANALYSIS

The number of males participants was 32(68.1%) and remaining 15(31.9%) were female. Majority of participants (23%) had work experience between 1 to 5 years, least (4%) had less than 1 year experience, 15% participants had 5 to 10 years of experience, and 7% had more than 10 years of experience.

The reliability test is applied in order to verify reliability of research instrument. According to Book "SPSS Explained" written Perry R. Hinton, Charlotte Brownlow's reliability test interpretation scale, the values between 0.5-0.7 shows moderate reliability and from 0.7-0.9 shows high reliability. For this study, Table 1 shows that all variables (Employee Performance, Recognition, Career Development and Flexible working hours) are found reliable with Conrbach's alpha (0.511, 0.689, 0.709, and 0.781) respectively. Two variables are found moderately reliable and another two are found highly reliable, hence overall data is being qualified for the further analysis.

Table 1. Reliability Analysis

Variable	Conrbach Alpha Value	Items	Remarks
Employee Performance Recognition	0.511	04	Moderate Reliability
Career Development	0.689	04	Moderate Reliability
Flexible working hours	0.709	02	High Reliability
	0.781	05	High Reliability

Table 2 shows the fitness of research model in terms of percentage. In our case the value of R-Square is 0.246.

Table 2. Model Summary

Independent Variables	R-Square Value
Recognition Career development Flexible working hour	0.246

Dependent Variable: Employee Performance  
Source: Author's Estimation

In order to verify the fitness, the author is suggested to check the value of ANOVA'S P-Value. It indicates the fitness of our research model in terms of significant value or p-value. It is suggested that it should be less than or at least 5% or 0.05 in order to predict the studied research model. Table 3 shows that the p-value is (0.007 or 0.7%) which is lesser than 5%. Hence, research model is fit for further predication and conclusion of this study.

Table 3. ANOVA

Independent Variables	p-Value
Recognition Career development Flexible working hour	0.007

Dependent Variable: Employee Performanc  
Source: Author's Estimation

Table 4 shows that the beta values between the relationship of dependent and independent variables. In this study, it



indicates positive relationship among all studied variables (Recognition, Career development and flexible working hours) with Employee Performance. The p-value is (0.64, 0.211 and 0.87) respectively Table 4,

Table 4. Coefficients

Variables	Beta Value	P-value
Recognition	0.316	0.64
Career development	0.223	0.211
Flexible working hour	0.025	0.87

Dependent Variable: Employee Performance  
Source: Author's Estimation

As per the rule p-value should be less than 0.05 or 5% but in this study all the variables have p-value greater than 5%. Therefore, it is concluded that all 03 alternative hypothesis are rejected whereas null hypothesis has been accepted. Table 5 mention the summary of hypotheses testing,

Table 5 – Summary of Hypotheses Test

Hypothesis	Remarks
H <sub>01</sub> : There is no effect of recognition on employee performance.	Accepted
H <sub>a1</sub> : There is significant impact of recognition on employee performance.	Rejected
H <sub>02</sub> : There is no effect of career development on employee performance.	Accepted
H <sub>a2</sub> : There is significant impact of career development on employee performance.	Rejected
H <sub>03</sub> : There is no effect of flexible working schedule on employee performance.	Accepted
H <sub>a3</sub> : There is significant impact of flexible working schedule on employee performance.	Rejected

## CONCLUSION

In human resource rewarding the employees in right manner is an essential part. Management rewards employees in two different ways monetary or Non-Monetary. The organizations that treat their employees as an asset rather than just human resource are much more successful in present business world. They treat employees as an asset because they know that the success and failure of their whole business heavily lies on the performance of their employees.

The management in the banking sector of Hyderabad must evaluate the reward systems that are currently there in place. Through these findings, they would be able to understand the perspective of employees towards non-monetary benefits and hence, they will be able to devise their policies accordingly. By understanding the needs of employees and identifying the motivational factors that influence them to work, management will be able to crucially determine the most ideal combination of monetary and non-monetary benefits that can be offered to the employees.

Reward system should be customized based on the level of hierarchy an employee belongs to. An employee belonging to lower level of management would want to satisfy his physiological and safety needs first and hence, he'd be in dire

need of monetary rewards. As we move up in the hierarchy, the needs of employees change and they begin to value their social and self-esteem needs and hence, they regard the non-monetary benefits like recognition and career development more.

Reward system should be customized based on if it is for the employees working in the head office or the regional branches. Usually, the employees working in head-offices have work/tasks related to strategic nature while the regional or branch offices have to meet sales targets. Hence, an employee contributing towards the strategy might want recognition but those meeting sales need incentives. Therefore, non-monetary rewards should be given to the head-offices' employees more but the regional and localized employees should be rewarded with monetary benefits.

Finally, this research studies the impact of non-monetary rewards on employee performance alone. In future, the researchers can study the impact of such rewards on other variables too; such as employee engagement.

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