

Intrinsic Reward Strategies and Employee Performance in Nigeria's Microfinance Industry

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ABSTRACT

This research examined the correlation between intrinsic reward strategies and employee performance in Microfinance banks. Data was collected through the instrument of a questionnaire. One hundred & thirty two (132) completely filled questionnaires were used for the analysis of data through the Spearman Rank Order Correlation Co-efficient. It was found that there is a significant relationship between recognition, job advancement and quality of work and effective customer service. It was thus recommended that management of microfinance bank should recognize the importance of intrinsic reward in strategy formulation.

1 INTRODUCTION

Competitive pressures in today's banking sector in Nigeria demand that players in the field position themselves to cope with the challenges. Several authors (e.g Obicci 2015; Ajmal, Bashir, Abrar, Khan and Saqib 2015 and Ozutku 2012) have studied the effect of intrinsic and extrinsic rewards on employee productivity and organisational performance and how they relate to customer satisfaction. Employee performance is critical to organizations because to a large extent, a firm's efficiency and survival depends on how well workers carry out their tasks. The extent to which employees render services to their customers are closely tied to the value they have placed on not just the pay they receive, but on the recognition, they get for a job well done and the belief that they would grow in their respective jobs (Njana, Maina, Kibet and Njagi 2013).

To achieve high quality of work and effective customer service as a strategy, intrinsic reward in form of recognition, job advancement as well as other non-monetary rewards may play an important role in motivating employees. Recognition of an employee does not just involve a mere thank you or phony praise by managers towards employees; it involves more of empathy from managers towards employee. Employees need to have that feeling that their efforts are valued and they are not just treated as mere objects (Stajkovic, 2000).

The role of recognition towards achieving employee performance can never be underestimated as through it, employees would voluntarily want to maximize their potentials towards achieving successful performance, they would be more willing to use their knowledge and skills without fear of insecurity. Recognition can lead to employee citizenship behavior such as altruism, consciousness, civil virtue and sportsmanship and it also provides mechanism to address the emotion and feelings of employee at work which is not merely influenced by monetary rewards (Nyakundi, Karanja, Charles and Nyamwamu 2012). Many

managers are of the view that employees rate pay highest amongst the different types of reward. However, Edirisooriya (2014), Stajkovic (2000) and Nyakondi et al (2012) have pointed out the essence of recognition as a form of reward which would ultimately reflects performance.

Job advancement according to Pillay, Dawood and Karodia (2015) is the progression of employees through the various ranks of organizational hierarchy. Career advancement may sometimes come in form of providing alternative needs. One of the ways in which organizations achieve job advancement for employees is through training and development. It is vital for organizations to be competitive in order to meet up global trends, especially in an era of high uncertainties in the banking sector, because failure to do so could threaten the survival of such banks as a result of loss of confidence by its customers and shareholders. The performance that would facilitate growth and development would always come from the human capital of firms because without people, other resources are rarely meaningful (Muda, Rafiki, and Harahap, 2014). Given the effect of reward on employee work outcome, this study examined the correlation between intrinsic reward and employee performance.

2 LITERATURE REVIEW

Vroom's (1964) expectancy theory underpins the theoretical framework of this research. This theory states that individuals put in effort and skills in their job because of the expectation they have concerning their need, the extent to which they are motivated and the past experience they have had. Furthermore, expectancy theory states that individuals exert effort towards their job based on their own volition. Expectancy theory also points out that individuals have differences in their needs, wants, taste and preferences towards their organization. However, employee would always choose from among existing alternatives in order to achieve optimum outcomes for themselves (Lunenburg, 2011). Expectancy theory explains the extent to which rewards presented by organizations bring to fulfilment, the personal goals of employees and this relationship can be expressed as the corresponding value individual employee would always give to work outcome (Parijat & Bagga, 2014).

2.1 THE CONCEPT OF INTRINSIC REWARD

Intrinsic rewards can be defined as those rewards which are non-monetary in nature (Ajmal et al, 2015). According to Allen, Shore and Griffeth (2004), intrinsic rewards are more psychological in nature and they provide internal satisfaction to employees through satisfaction which comes from the inside. Such feeling of self-esteem, citizenship behaviours and other positive attitudes emanating from intrinsic and non-monetary rewards will always give rise to employee performance which can manifest itself in the form of quality output, leading to organizational efficiency and effectiveness. Employees do not only care about the cash they receive for overall work done, they care about those other motivational elements that boost their sense of belongingness and these often come in psychological forms.

2.1.1 RECOGNITION

As a concept, recognition is a way of adequately identifying employees and teams for acknowledgment or praise (Silverman, 2004). It is often given to employees as a compliment to their high level of performance or accomplishment in organizations. When employees perceive that they are recognised for their contributions in the organization, it generally increases their commitment. According to Rose (1998), recognition can be viewed as a non-monetary compensation enjoyed by employees, in acknowledgement of their high level of competency or performance. Therefore, organizations that adopt this method of compensation are likely to benefit in the long run.

2.1.2 Job Advancement

Job advancement can be described as the perceived belief by employees that they would grow over time in their job status (Saari & Judge, 2004). Morris (2007) stated that in every organization, including banks, employees have the aspiration of wanting to progress along the job ladder. Job advancement serves as a boost to employee's self-esteem and self-actualization. Growing on a job encourages individuals to work harder to enable them fulfil their need for growth (Smith, Cronje, Brevis and Vrba 2007).

2.2 Concept of Employee Performance

Performance reflects the value of output over input; it is the ability of an organization to efficiently and effectively achieve independent goals (Venkatraman and Ramanujam, 1986). Performance of the individual is vital in measuring the overall performance of organization as each individual's effort is a sub-set of overall organizational effort (Nyakundi et al, 2012). Performance can never be ruled out in any organization because it is the yardstick on which input is measured.

2.2.1 Quality of Work

For any organization to live up to expectation, the quality of its products must be accepted by its customers both physically and psychologically. Kalleberg and Vaisey (2005) opined that the quality of employee work output is psychologically in line with job satisfaction which is as a result of non-monetary rewards. This often occurs when employees feel the elements of job characteristic present in their job. Quality of work is a function of the individual employee, groups as well as the functional areas of the organization. The overall quality of output would be the sum total of all quality output (Kanter, 2003). The quality of output is also positively related to the amount of recognition employees receive, as well as the belief that they would progressively rise along the career ladder. (Chapman and Kelliher, 2011). Today's Managers want to maximize the productivity of their employees. They therefore look beyond financial rewards and incorporate intrinsic rewards which come in form of recognition and job advancement. All these are for the purpose of boosting employee's morale, which enables them perform at their best voluntarily and work towards organizational success.

2.2.2 Effective Customer Service

The term customer service refers to the ability of an organization to meet the desires and needs of its customers (Wreden, 2014). It is the art of providing service to customer before, during and after transaction (Wikipedia, 2016). Customer service plays an important role to the survival and image of an organization. High performance organizations realize this and make it a top priority in their service delivery by consistently training their staff in good customer relation.

2.3 Intrinsic Reward and Employee Productivity

The expectations of employees in the work place are continuously changing. Today's employees desire a feeling of belongingness, they want to be part of the daily decision making process, also they want their contributions to be valued by the organizations they work for. (Silverman, 2004). Hong-Haftel and Martin (1993) states that intrinsic reward increases employee feeling of self-esteem and accomplishment. There is no doubt that such feelings would ultimately lead to increase in productivity and overall organizational profitability. Silverman, (2004) suggested that employers should place more emphasis on non-financial or intrinsic rewards. This is because they seem to be more motivating. He further stated that employees of the 21st century look beyond monetary rewards as a

motivating factor, they consider their social and professional life as these two go hand in hand in ensuring satisfaction and commitment.

From the review of literature, the following hypothesis was stated.

Ho₁: There is no significant relationship between recognition and quality of work.

Ho₂: There is no significant relationship between recognition and effective customer service.

Ho₃: There is no significant relationship between job advancement and quality of work.

3 METHODOLOGY

Data for this study was collected by conducting a cross – sectional survey among employees of 10 micro finance banks in Port-Harcourt Rivers State through the use of questionnaire. The population of this study consists of 324 employees from 10 micro finance banks. A sample size of the 179 was determined using Taro Yamane formula. The data was analyzed using the statistical tool of Spearman Rank order Correlation Co-efficient, since the data was collected ordinal form.

4 Data Presentation and Analysis

4.1 Hypothesis Testing

HO₁ There is no significant relationship existing between recognition and quality output

Table 1: Correlation between Recognition and Quality Output

			Recognition	Quality_output
Spearman's rho	Recognition	Correlation Coefficient	1.000	.420**
		Sig. (2-tailed)	.	.000
		N	132	132
	Quality_output	Correlation Coefficient	.420**	1.000
		Sig. (2-tailed)	.000	.
		N	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

The result of the test of hypothesis one shows a significant relationship between recognition and quality output with a correlation coefficient of 0.420 and a p-value of 0.000 which is less than 0.05. The null hypothesis is thus rejected and alternative one accepted.

HO₂ There is no significant relationship between recognition and effective customer service

Table 2: Correlation between Recognition and Effective Customer Service

			Recognition	Effective_customer_service
Spearman's rho	Recognition	Correlation Coefficient	1.000	.298**
		Sig. (2-tailed)	.	.001
		N	132	132
	Effective_customer_service	Correlation Coefficient	.298**	1.000
		Sig. (2-tailed)	.001	.
		N	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

The test of hypothesis two indicated a significant relationship existing between recognition and effective customer service with a correlation coefficient of 0.298 and a p-value of 0.001 which is also less than alpha of 0.05. This also leads us to rejecting the null hypothesis earlier stated.

HO₃ There is no significant relationship between job advancement and quality output

Table 3: Correlation between Job Advancement and Quality Output

			Job_Advance ment	Quality_output
Spearman's rho	Job_Advancement	Correlation Coefficient	1.000	.660**
		Sig. (2-tailed)	.	.000
		N	132	132
	Quality_output	Correlation Coefficient	.660**	1.000
		Sig. (2-tailed)	.000	.
		N	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

The test of our third hypothesis using the Spearman rank order correlation reveals a strong relationship with a coefficient of 0.660 and a p-value of 0.000 less than 0.05. This implies the existence of a strong relationship between job advancement and quality output of employees in microfinance banks in Rivers state.

The findings of this study revealed a significant relationship existing between recognition, quality of output and effective customer service. There is also a strong significant relationship between job advancement and quality output in micro finance banks in Rivers state.

5 Conclusion and Recommendation

5.1 Conclusion

In conclusion, this research showed that the non-monetary rewards or intrinsic rewards employees receive in microfinance banks influence their performance through quality output and effective customer service. This study also indicated that intrinsic reward should be a key strategy in motivating employees. Some employees remain on their jobs because of the recognition they receive from their bosses and supervisors as well as the assurance they have that with good performance they will ascend the career ladder.

5.2 Recommendations

Based on the findings and conclusion, this study recommends that Management of microfinance banks should understand that it is not only monetary reward that motivates employees, intrinsic reward and other non-monetary rewards which motivate employees should be considered. Also, efforts should be made by management to treat employees fairly and with respect.

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