

A Study on Monetary and Non Monetary Incentives on Employee Performance

Dr. Santosh Kumar Dubey*

Associate Professor, D.A.V College, Sadhaura, Yamuna Nagar - 135204

Abstract - In spite of the fact that management is accountable for designing and implementing firm strategies, the ultimate responsibility for determining whether or not such strategies are successful lies with the employees who put those plans into action. For this reason, it is essential for management to have a knowledge of the factors that inspire workers to carry out their responsibilities and reach or surpass the expectations of management. It would be foolish to minimise the value produced by the company's personnel in light of PT XYZ's outstanding performance in the face of strong competition in the industry. PT XYZ may be able to better manage its employees if it takes into consideration the incentives it gives to its personnel and identifies which of those incentives have the most influence on the level of motivation exhibited by its workforce.

Keywords - Impact, Monetary and Non-Monetary, Incentives, Employee Performance.

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INTRODUCTION

The use of incentives as a form of motivation is essential to the success of any company, regardless of whether they are in the manufacturing or service industries. It has the ability to increase productivity and inspire people to provide their utmost for the organisation, whether that means working harder or being more accurate in their job. Incentives, awards, and recognition may be beneficial to businesses operating in any sector, from manufacturing to services to even banking.

Thus, there are basically two types of incentives:

- Monetary Incentives
- Non -Monetary Incentives

A technique of delivering rewards in the form of money, such as via the distribution of payments or the provision of additional benefits, bonuses, etc., is an example of monetary incentives. As the name indicates, monetary incentives are a method of offering rewards in this form. On the other side, "non-financial incentives" refer to any benefits that are presented to employees that are not monetary in nature. [1]

Importance of Incentives

Human resource (manpower) is the most important asset of any business, and it should be treasured and groomed by the firm in order to reach the desired optimization, as explained by research conducted by several prominent management institutions and the ideas of various management gurus. Consequently, to put it more simply, the success of every firm is

significantly dependent on the performance of its personnel. Because of this, the company can't afford to disregard any internal issues that may have an impact on the productivity of its staff. In order to maximise productivity, businesses must pay attention to employees' skills, exposure, and drive.

The ability to increase an employee's knowledge, instil in him a set of abilities, or provide him with training and experience all play a role in this context. As a result, an employee will be able to see the bigger picture and have a deeper understanding of the subject matter. In the same vein, the term "opportunity" often refers to the availability of the rudimentary tools and infrastructure, such as computers and databases, needed to carry out a certain task. "Motivation," on the other hand, is what makes human resources work so hard as long as all the other requirements hold true. [2]

Classification of Incentives

Pecuniary (Monetary) and non-pecuniary (Non-monetary) Enticements are the Two Main Categories That Enticement Methods Are Placed Within. Pecuniary enticements are those that include money, whereas non-pecuniary enticements do not involve money. Financial incentives may be offered to members of a workforce by their managers in order to nudge members of that workforce toward taking a particular activity. On the other hand, non-monetary incentive programmes have the goal of encouraging community service out of a sense of obligation rather than a desire to further one's own personal interests. It has been argued that "Non-financial enticements to workers, in particular in the government

organisations, draw specific type of individual that more cheerfully make out with the purpose of the organisation."

When it comes to pushing workers to boost their productivity, one tried-and-true strategy is to offer monetary incentives. In addition to the standard compensation, incentive packages may be made available. A financial or non-financial award that is presented to employees in acknowledgment of their accomplishments, improvements, or efforts. Incentives to perform at a higher level lead to improvements in human resource capacity. It is a natural propensity that is shared by all people; hence, the promise of future benefit is a powerful motivation that has the potential to increase productivity in the workplace. Employees are driven not just by monetary rewards but also by "work joy, employment security, progress, and pride for succeeding." [3]

i. Monetary Incentives

It is a commonly held belief that monetary resources are required in order to fulfil even the most fundamental of human aspirations for pleasure. If you have more money, it will be easier for you to buy the goods you require to satisfy your social demands. As a result, having enough money satisfies not only basic necessities but also particular safety and social requirements. As a consequence of this, several businesses provide a wide variety of salary options and methods of incentive in order to motivate and energise their workers.

ii. Non-monetary Incentives

Human resources are motivated not just by monetary compensation, but also by a variety of non-monetary incentives that appeal to their sense of pride in their work and their desire to realise their full potential. In this context, "Non-monetary incentives" refers to any and all prizes and awards that cannot be measured in monetary terms. Managers often utilise non-monetary rewards to cater to the emotional requirements of subordinates and employees.

When an employee is older, they tend to focus more on retirement or supplementing retirement income through part-time or temporary jobs, but when an employee is younger, they tend to focus more on their enjoyment of their work and the physical conditions in which they do their duties. In the end, a "one-size-fits-all" strategy is impersonal and ineffective, therefore incentives should be tailored to the specific needs of each workforce. [4]

Employee Performance

Work performance is not about output or results, but rather about actions taken by workers.

Ultimately, a company's level of success and output is determined by how well it cultivates and deploys its

human resources. The intensity and variety of competition have changed dramatically as a result of globalisation. The process of globalisation and liberalisation has removed conventional barriers, setting the stage for the development of competition all across the world. So, every organisation needs to be ready to take on the world's most formidable foes wherever they may be. All assets necessary for the operation of the organisation must be optimally generated with the objective of becoming internationally competent in mind. There is a pressing need to raise the bar for the association's employees in light of this. Increased labour efficiency ensures more productive asset use and less waste. In order to ensure outstanding performance and stand out on a worldwide scale, the organisation raises the bar for itself. [5]

Incentives and Employee Performance

The goal "to boost organisational efficiency" is the driving force behind compensation methods implemented in organisations. If the cost of creating one unit of output can be decreased by motivating workers to put in more effort in exchange for financial recompense, then the job provider or management will have accomplished their aim of achieving whatever it was that they set out to do. A group or organisation, as well as the individuals who work for that group, might get incentives for a variety of different reasons. [6]

- Improve motivation
- Tie pay to performance
- Recognize differences in employee performance
- Increase competition among employees
- Attract and retain productive employees
- Reduce absenteeism

The relationship between a company and its employees is critical. Respect on the part of the employer for the employee is the foundation of a productive working relationship. After evaluating an employee's work, the company should show appreciation through various measures, such as symbolic awards. Employees might feel more invested in and inspired by their work when they are given these sorts of symbolic rewards, and the relaxed atmosphere fostered by superiors goes a long way toward fostering loyalty and dedication on the job.

Financial and non-financial incentives are included in rewards. Money-based incentives boost workers' pleasure and satisfaction directly, whereas non-monetary incentives aid in showing employees they are valued, which serves as an inspiration tool and leads to greater working dedication on their part. The "attitudes, behaviours, and views" of workers about the firm are formed as a result of the company's or management's actions towards the workforce and so

determine the level of commitment employees feel towards the organisation.. [7]

Structure of Indian Banking Sector

The Reserve Bank of India (RBI) is India's authoritarian central bank, and it oversees the financial sector. The financial sector is dominated by:

- Commercial Banks
- Co-operative Bank

In India, the two basic categories of commercial banks are known respectively as Scheduled Banks and Unscheduled Banks. Scheduled commercial banks are banks that are included in the Second Schedule of the RBI Act, 1934. The RBI will only admit commercial banks into its system if they satisfy the standards outlined in Section 42 (60) of the Act.

There are cooperative banks that are listed on the list of commercially scheduled institutions, however this is not the case for every single one. The Reserve Bank of India (RBI) provides preferential treatment to the banks that are listed on the second schedule if there is a shortage of liquidity. In addition to this, it imposes a variety of responsibilities and restrictions that are connected to the reserve needs of the RBI. [8]

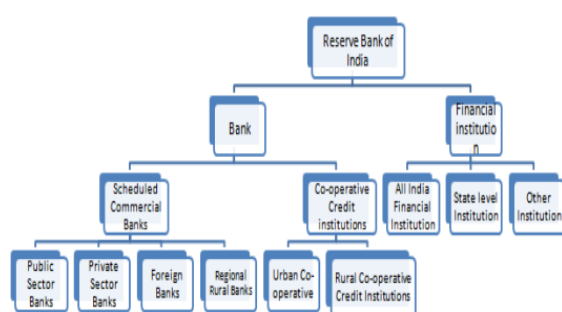


Figure 1: Banking Structure in India

Incentives in Banking Sector

The human resource base is a cornerstone of HRM. In most cases, the success of a business or organisation is directly correlated to the quality of its new hires. The primary important concern at the present is how to keep those employees around. The capacity of a company to keep its employees for a longer period of time is known as employee retention. Favorable rules and procedures are required to keep the organization's most critical and valued personnel from leaving.

Companies invest in their human resources in a variety of ways to train and equip people for success in the business world. Robbins and Coulter argue that a high turnover rate, or the loss of talented employees who leave the company, is far more detrimental. Increased expenses associated with hiring, screening, and

training new employees, as well as potential interruptions to operations, are all potential consequences.

One of the biggest challenges every company has is keeping hold of its most valuable assets its personnel. High staff turnover may be costly in both direct and indirect ways, so it's important for the HR department to keep an eye on it. Employee turnover costs have a significant negative effect on productivity and growth. [9]

LITERATURE REVIEW

Rutherford, D.G. (2017) Employees might be driven by non-monetary physical incentives since the value of such advantages could be raised when assessed emotionally, and this is important because money is not the only way to inspire workers. When it comes to producing positive emotions, non-monetary rewards that are also memorable, like a trip or an award, are superior to monetary rewards because of their dual ability to do so. A poll conducted in 2005 by Incentive Federation Incorporated asked respondents questions, and two thirds of them agreed with the statement that financial incentives are quickly forgotten since workers perceive it as an essential component of their income. [10]

Soebijono, C., & Lay, I. (2012) Employees might be motivated not just by financial rewards, but also by intangible ones, such as public acknowledgement of their efforts. Evidence shows praise and acknowledgment are powerful motivators because they let individuals realise that their efforts are appreciated. Furthermore, "the number one driving element" is acknowledgment, which boosts employees' confidence and self-esteem and leads them to feel they are capable of even greater achievements in the future. According to research published in McKinsey Quarterly, non-monetary incentives can be as successful as, if not more so than, monetary ones. Three of the most effective non-monetary incentives were found to be praise from direct supervisors, leadership attention, and opportunities to take charge of projects or task forces. In an interview, one HR manager described the positive effects of showing appreciation for workers as "hugely inspiring". [11]

Williams, R. B. (2015) Performed a study to evaluate the relative effectiveness of monetary and nonmonetary reward systems in boosting employee and organisation motivation. This study relies on responses from a survey sent to 405 South African professionals. Participants are asked to rate their level of interest in receiving monetary (base pay, performance incentives, etc.) and non-monetary (full recognition of job done, promotion and advancement in the company, etc.) rewards as a means of increasing their level of motivation. According to the

results, the most effective way to inspire workers is through financial compensation, such as salaries and incentives for good performance. Eighty-eight percent of respondents regarded their base wage and the performance bonuses component as important or extremely important. [12]

Studied the effect of incentives on the morale of Malaysian institution managers In this Wiscombe, J. (2016) Investigation, we used a technique called multiple linear regression. Eighty-two percent of respondents place a high value on extrinsic rewards (salary, medical, bonus, and housing), while 88.3 percent place a high value on intrinsic rewards (responsibilities, team planning, development programme, and achievement), and 89.5 percent say they are highly motivated by their work at the university. The corrected R² value of 0.736 from the regression analysis indicates that motivation can be explained by a combination of extrinsic and intrinsic factors 73.6% of the time. The multiple linear regression analysis showed that incentives boosted motivation significantly. [13]

METHODOLOGY

There are three types of data used in this study: nominal, ordinal, and interval scales. For classification questions, which Cooper and Schindler describe as questions that "include sociological-demographic factors that allow participants' replies to be categorised such that patterns are shown and may be analysed," nominal and ordinal scales are utilised. For the categorization questions, basic category scales, multiple-choice scales, and single response scales were employed. In a basic category scale, there are just two mutually exclusive response possibilities, but in multiple-choice and single-response scales, several alternatives are offered but respondents are only obliged to select one. The questionnaire has five categorization questions that address gender, age group, greatest level of education, position level, and work tenure group.

RESULT

As part of the process of justifying the collected data, the data from the questionnaire are subjected to several tests to determine their validity and reliability.

If the value of Cronbach's alpha for the variable in issue is greater than the value of the r-table for $df = n - 2$, then the data for that variable may be regarded valid. (n is number of sample). The value of the r-table (two-tailed test) that has to be compared is 0.195, and the significance level is set at 5%. The df is set at 102 minus 2, which equals 100. In this investigation, a single-time reliability test was performed using the Cronbach Alpha. A variable was thought to be reliable if its value was greater than or equal to 0.70 and closer to 1.00. It would appear from what can be seen in Tables 1 through 4 that the data that were acquired

have successfully passed the validity and reliability tests that were performed on them.

Table 1: Item-Total Statistics and Reliability Statistics of Motivation

	Corrected Item- Total Correlation	Cronbach's Alpha	N of Items
M1	,589	,850	9
M2	,662		
M3	,572		
M4	,548		
M5	,590		
M6	,495		
M7	,575		
M8	,548		
M9	,633		

Table 2: Item-Total Statistics and Reliability Statistics of Monetary Incentives

	Corrected Item- Total Correlation	Cronbach's Alpha	N of Items
MI10	,675	,858	9
MI11	,657		
MI12	,617		
MI13	,641		
MI14	,790		
MI15	,606		
MI16	,383		
MI17	,549		
MI18	,552		

Table 3: Item-Total Statistics and Reliability Statistics of Tangible Non-monetary Incentives

	Corrected Item-Total Correlation	Cronbach's Alpha	N of Items
TNMI19	,628	,710	4
TNMI20	,541		
TNMI21	,522		
TNMI22	,337		

Table 4: Item-Total Statistics and Reliability Statistics of Intangible Non-monetary Incentives

	Corrected Item-Total Correlation	Cronbach's Alpha	N of Items
INMI23	,446	,854	8
INMI24	,475		
INMI25	,513		
INMI26	,658		
INMI27	,668		
INMI28	,642		
INMI29	,647		
INMI30	,737		

Employees' driving forces in the Finance department of PT XYZ are shown in Table 5. With a mean of 4.960 on the motivation scale, respondents believe that they are strongly driven to work for the organisation as a whole. In addition, they are in agreement that they work hard to succeed and are determined to reach work goals, as evidenced by the fact that their individual means are 5.088 and 5.157.

Table 5: Mean of Employee's Motivation

Motivation	Mean
Enjoyment in doing daily tasks	4,745
Nice feeling when coming to work	4,833
Passion with the job	4,755
Best effort in doing daily task	4,971
Striving hard to be successful with the work	5,088
Full effort in fulfilling responsibility	5,000
Determination to achieve work goals	5,157
Confidence to achieve work goals	5,069
Motivation to work for the company in general	5,020
Mean of Motivation	4,960

As can be seen above, both ZSkewness and ZKurtosis fall within the standard deviation bands of -1.96 and +1.96. It may be argued that the residuals in the regression model have a normal distribution because the statistical test findings are consistent with the graphical analysis.

To determine if autocorrelation exists in the model, the Durbin-Watson test is applied. As shown in the Durbin-Watson matrix, Given a significance level of 5%, three independent variables ($k=3$), and a sample size of one hundred ($n=100$), the confidence interval (du , dl) is 1.736, 1.613. There is no autocorrelation between the residuals in the regression model since the model's Durbin-Watson value (dm) is 2.071, which is larger than 1.736 (du) and smaller than 2.264 ($4-du$).

CONCLUSION

The Finance department of PT XYZ employed a random sample technique for their research investigation. Multiple Linear Regression was used to evaluate the data. Both monetary and non-monetary incentives (further subdivided into physical and intangible categories) were found to have a substantial influence on employee motivation. Employee motivation is affected by a number of independent variables, but the significance level and coefficients show that intangible non-monetary incentives like verbal recognition/praise, friendly greetings, performance feedback, increased responsibility, meaningful work, job rotation, encouragement to develop new skill, and opportunities for training are the most influential. The goals of this study were met: we analysed the effects of monetary and non-monetary incentives on employee motivation and determined which form of incentives is most effective in boosting motivation.

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Corresponding Author

Dr. Santosh Kumar Dubey*

Associate Professor, D.A.V College, Sadhaura,
Yamuna Nagar - 135204

E-mail: kuru_santosh@rediffmail.com