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A STUDY ON IMPACT OF FINANCIAL INCENTIVES ON EMPLOYEES PERFORMANCE

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ABSTRACT:

This study is an analysis of the impact on financial incentives on employees performance in the organisation. Financial incentives were considered as a form of payment that is directly linked to the employees performance. The more profits or incentives the better the performance of employees. This motivates the employees to achieve set goals and challenge them to achieve more. Salary increases are one of the common financial incentives that encourage employees in their career advancements. This study reviews the financial incentives and employees performance, and analyse the type of financial incentives used in organisation, including bonuses, commissions, profit sharing, and stock options. The present research used a questionnaire survey technique to gather information from a sample units of participants selected using random sampling method. This survey is collected from the working employees. My main hypo research is that it seems that there is the relationship between financial incentives and employees performance in the organization. The finding suggest that financial incentives are the best option to motivate employees performance.

Keywords: Financial incentives, Employees performance, Performance, Bonuses, commissions, profit sharing.

INTRODUCTION:

Every employees want some form of incentives like financial incentives. It will motivate employees in a better way. Employee performance is very important thing in the companies efforts to achieve goals. For companies, incentives is expected to improve employee performance, work productivity, loyalty, discipline, a sense of responsibility for office and better quality of leadership for employees, with the incentives they get the opportunity to increase salary income. Incentives given by the companies management in recognition of the performance of employees to the company. Financial incentives can also signal to employees that their performance is valued by the organization, which can increase their job satisfaction and commitment to the organization. Employees occupy a strategic role and position in any organization. They are responsible for converting inputs to give productive outputs. Financial incentives can come in many forms such as signing bonuses, performance – based bonuses, profit sharing plans, and stock options. These incentives are often designed to attract and retain talented employees, as well as to motivate employees to perform at their best.

OBJECTIVES:

1. To examine the relationship between the financial incentives and employeeperformance.
2. To compare the effectiveness of different types of financial incentives.
3. To investigate the effect of financial incentives on employees motivation and jobsatisfaction.
4. Evaluating the extent to which financial incentives impact employee engagement andretention.

SIGNIFICANCE OF THE STUDY:

The study is the significant from the point of view of finding out ways and means to improve the efficiency of employees which will ultimately lead to the greater efficiency and profitability of the organization in terms of its set goals and objectives. The current study has helped me to better understand the relationship between financial incentives and employees performance.

REVIEW OF LITERATURE:

This study gives the relationship between the job satisfaction and employee performance. According to my study of literature, the factors can be categorised as effectiveness, efficiency, clarity of the incentive program, employee perception, type, size, timing of the incentive program.

Dr.Khaled Abdalla Moh'd Al – Tamimi (2018), aimed at investigating the impact on financial and non-financial incentives on employees performance. This gives the relationship between job performance and financial incentives.the existence of a statistically significant in employee performance due to age, gender, marital status and experience.

Mohammad Bilal Tayeb (2021), aimed at investigating the impact on relationship between financial incentives and employees productivity. This incentives motivates employees to work in a productive way. Employees are responsible for converting inputs to productive outputs.

Johney Joseph (2016), aimed at investigating the impact on relationship between financial incentives and employees performance. Financial incentives is given due to encouragement of employees to perform well in their work.

R. Rina Novianty (2018), aimed at investigating the impact on relationship between financial incentives and employees motivation. Employees are motivated due to lot of rewards given by the organization. Work motivation is the driving force for employees to create excitement in their work.

Steffen Hetzel (2010), aimed at investigating the relationship between financial incentives and individual performance and also investigating the psychological and economical approach to analyse the financial incentives. They are given rewards based on their efforts in the organisation.

METHODOLOGY:

- **SOURCE OF DATA:**

  This study will be based on Primary and Secondary data. Primary data will be

  collected through employees survey.

  Secondary data will be collected through websites and Review papers.

- **RESEARCH TYPE:**

Descriptive research, applied research, and conclusive research analysis based on correlation approach and cross- sectional research analysis will be used for analyzing the data.

- **DATA COLLECTION:**

  Data will be collected from employees of the organization.

- **INSTRUMENT:**

Questionnaire were prepared by the researchers to collect data from the selected samples from employees.

- **SAMPLING METHOD:**

Simple random sampling method is involved by selecting participants randomly from the organization for a study on the impact of financial incentives on employee performance.

- **SAMPLE SIZE:**

Data was collected from the sample size of 65 employees in various categories from different organization for the purpose of study and analyse.

HYPOTHESIS:

1. There is a relationship between financial incentives and employee performance in theorganization.
2. The impact on financial incentives on employee performance may be greater forcertain types of tasks or roles.
3. Employee performance of long term financial incentives program have greater impactover short term incentives program.

DATA ANALYSIS AND TECHNIQUES APPLIED:

The projects was undertaken to study the impact of financial incentives on employees performance in the organisation. The data was collected using Questionnaire which is analysed and presented below.

Table 1 Data analysis for Age, Gender, Current Job Position and Work Tenure

Model	Basis	Frequency	Percent
Age	18-25	41	62.1
	26-35	22	33.3
	36-45	1	1.5
	46-55	1	1.5
Gender			
	Male	39	59.1
	Female	26	39.4
Current Job Position	Entry Level	16	24.2
	Mid Level	5	7.6
	Senior Level	35	53
	Managerial Position	9	13.6
Work Tenure	1-3 Years	36	54.5
	3-5 Years	6	9.1
	Less than 1 Year	18	27.3
	More than 5 Years	5	7.6

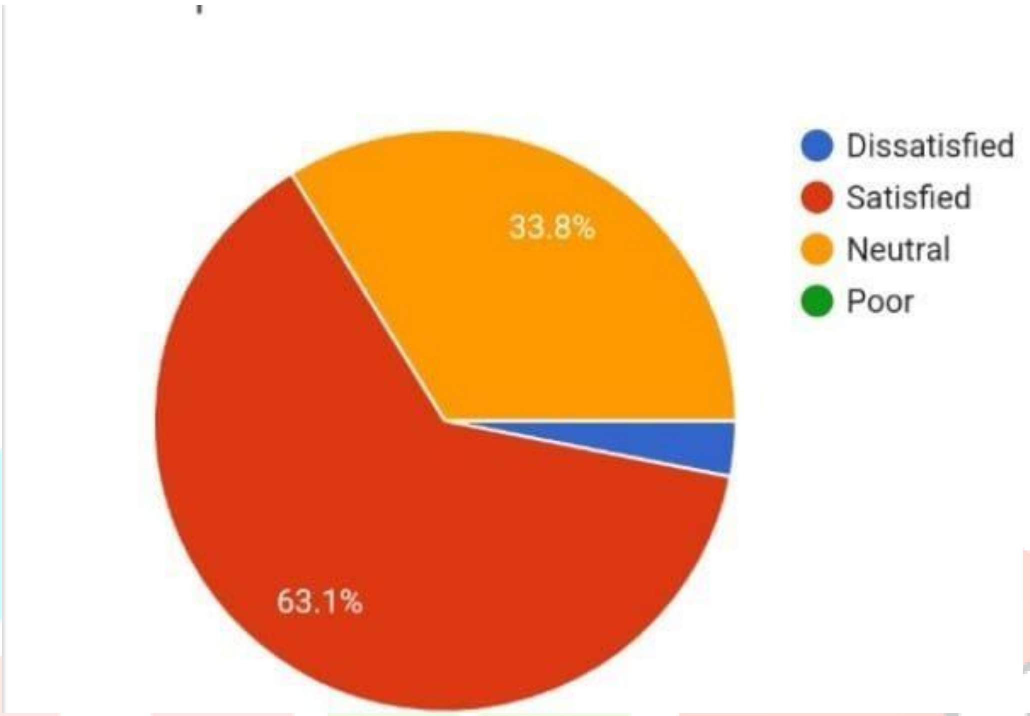
INFERENCE:

62.1 % of the Respondents fall under the age of 18-25. 59.1% of the Respondents are male. 24.2% of the Respondents are Entry level position. 54.5% of the Respondents are under the work tenure of 1-3 years.

Table 2 Current level of Job satisfaction

Model	Basis	Frequency	Percent
Current Level of Job Satisfaction	Dissatisfied	2	3
	Neutral	22	33.3
	Satisfied	41	62.1

PIE CHART



STATISTICAL ANALYSIS:

HYPOTHESIS 1 - PEARSON CORRELATION

H_0 – There is no significant relationship between Financial Incentives on Employees and JobPerformance

H_1 - There is significant relationship between Financial Incentives on Employees and JobPerformance

CORRELATION FOR FINANCIAL INCENTIVES ON EMPLOYEES AND JOB PERFORMANCE

	Financial Incentives on Employees	Job Performance
Pearson Correlation	1	.764**
Sig. (2-tailed)		<0.01
No	65	65
Pearson Correlation	.764**	1
Sig. (2-tailed)	0.000	
No	65	65

INFERENCE:

The relationship between job satisfaction and job performance is Significant.
Hence, Reject Null Hypothesis (H0). This is the significant relationship between financial incentives on employees and job performance.

Significance Level is less than 0.05

HYPOTHESIS 2 - REGRESSION

H_0 – There is no significant relationship between Financial Incentives on Employees and Job Performance.
H_1 - There is significant relationship between Financial Incentives on Employees and Job Performance.

REGRESSION FOR FINANCIAL INCENTIVES ON EMPLOYEES AND JOB PERFORMANCE

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.843	1	83.843	88.165	<.001[b]
	Residual	59.911	63	0.951		
	Total	143.754	64			

a. Dependent Variable: Financial incentives on Employees

b. Predictors: (Constant), Job Performance

INFERENCE:

The relationship between financial incentives on employees and job performance is Significant.
Hence, Reject Null Hypothesis (H0).

Significance Level is less than 0.05. This is the impact of financial incentives and job performance.

CONCLUSION:

This study suggests that financial incentives can have a positive impact on employee performance, but the effectiveness of these incentives depends on various factors such as the type of incentive, the level of motivation of the employees, and the work environment. Salary increase has been rated as the incentive factor that motivates the employees most followed by recognition, healthcare and promotion. Long term incentives are more effective compared to short term incentives. This study was conducted solely taking into account 65 individual responses. This study is the relationship between financial incentives and employees performance.

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