

THE IMPACT OF INCENTIVES ON JOB PERFORMANCE IN AN ORGANISATION

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ABSTRACT

Motivation is needed for an employee to perform well at their respective jobs. Incentives serve as positive motivation for employees. This research investigates the impact of different factors related to incentives that contribute to job performance among employees. The study used descriptive research design and convenience sampling to target 220 respondents from the region of Kerala, India. The majority of the respondents were freshers in their youth and also males. The survey used a self-administered questionnaire to collect the information from the target group. Exploratory factor analysis was done to generate the factors related to incentives and job performance. The correlation test provided insight into the association between the age of the employee and job performance based on the incentive received. The results showed that two factors were the main contributors to job performance-“design of incentives” and “type”.

Keyword : - *Incentives, Design of incentives, Type, Exploratory factor analysis, Job performance.*

1. INTRODUCTION

In today's competitive business environment, organizations are constantly seeking ways to improve employee job performance. One effective approach that has gained significant attention is the use of incentives. Incentives are rewards or benefits offered to employees in order to encourage and motivate them to perform better in their roles. Incentives are of different types, financial and non- financial incentives. Both types motivate employees in a better way to do their roles.

Incentives play a crucial role in motivating employees and driving their job performance. Numerous studies have been conducted to examine the impact of incentives on job performance in various industries and regions, including India (Jegatheeswari & Anandi, 2023).

The importance of employee job performances cannot be overstated. It directly affects an organization's productivity, profitability and competitive advantage. Motivated and engaged employees tend to be more committed to their work, exhibit higher levels of productivity, and contribute to a positive workplace culture. The use of incentives as a tool for performance enhancement has gained popularity across various industries. Incentives can take various forms, including financial rewards, recognition programs, performance bonuses, promotions, and other non- monetary incentives. These incentives are designed to tap into employee's intrinsic motivation, their desire to achieve personal and professional goals, and their need for recognition and reinforcement. This research examines the effect of incentives on job performance in an organization. It aims to explore whether the implementation of incentive programs can have a positive impact on employee performance and overall organizational success.

1.1 OBJECTIVES

1. To study the factors related to incentives that influence job performance among employees.

2. LITERATURE REVIEW

The study by Reshika analyzes the impact of financial incentives on employee performance in organizations, suggesting that these incentives are directly linked to employee performance. The article by Andrew H Newman, et al. examines the combined impact of reward frequency and conditionality on employee performance drivers: task efficiencies and productive effort intensity.

Haron Ismail Haron, et al., in the study aimed to show that the effect of incentive a major argument has been made about the application of performance management in the public sector. The results suggest that until public managers effectively address various challenges associated with implementation, the promise of enhancing effectiveness through performance management remains illusory.

The study by Nnenna Nancy in Rivers State found that incentives significantly drive employee performance and boost organizational productivity. The study recommends designing methods for allocating financial and non-financial incentives to employees to enhance their commitment to the firm. Ibrahim Ghazi Alkandi, et al. study the impact of incentives and rewards on employee performance in Saudi industrial sectors, with a focus on the role of job satisfaction. The use of structural equation modeling showed an insignificant direct effect between incentives and rewards, and employees' performance.

Dr. Idigo, et al. examine the relationship between incentives and worker performance in tertiary institutions in Anambra and Enugu State, Nigeria. The study emphasizes monetary and non-monetary incentives as well as career development's impact on worker performance through descriptive research methods.

The study by Dr. C K Gomathy, et al. examines the impact of incentives on job performance, focusing on motivational impulses and their effect on variables such as job satisfaction, performance, effectiveness, organizational productivity, worker fidelity and professionalism. The study identifies various financial and non-monetary recognition-based motivators and concludes that these motivational impulses positively influence worker performance.

3. RESEARCH METHODOLOGY

Research Design: The study was descriptive research that focused on investigating the influence of incentives on jobs performance among the target group. The association between age and incentives was also studied as part of this research.

Sampling and Sample Size: The sampling used was convenience sampling and the sample size was 220 respondents across Ernakulam city located in Kerala. The city is famed for its IT parks and tech-savvy population among the youth.

Data Collection and Questionnaire: The first part of the questionnaire includes demographics and general questions related to incentives received by the target population. The second part of the questionnaire investigated the factors related to incentives and job performance among the target group. The questionnaire used 5-point LIKERT with options "strongly disagree" to "Strongly agree".

Statistical Techniques used: Demographics and general awareness questions were analysed using proportionate analysis. The statistical tests used included exploratory factor analysis (EFA) using IBM SPSS v.23.

4. RESULTS AND DISCUSSION

The survey tried to get valuable information related to job performance linked that was affected by incentives obtained by the respondents.

4.1 Demographic characteristics:

Table 1: Demographic characteristic

Age Group	n	%
18-25 years	161	73.3
25-35	50	22.5
Above 35 years	9	4.2
Gender		
Male	138	62.5
Female	82	37.5
Marital Status		
Single	185	84.2
Married	35	16.8
Occupation		
Student	119	54.2
Self-employed	9	4
Salaried	92	41.8
Annual Income		
Below 4 Lakhs	176	80
4-8 Lakhs	33	15
8-12 Lakhs	11	5
Work Experience		
Fresher	128	58.3
1-3 years	83	37.5
3-5 years	7	3.2
More than 5 years	2	1

Note: Sample size 220

From the demographic table 1, the majority of the respondents were from the younger age groups predominantly males among the respondents. The respondents were mainly students with annual family income of below four lakhs. Being students, many were freshers and had work experience between one to three years.

4.2 Exploratory Factor Analysis: factors related to incentives that influence job performance among employees.

Table 2: KMO & Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.849
	Approx. Chi-Square	539.849
Bartlett's Test of Sphericity	df	220
	<i>p</i>	<.05

Note: Sample size 220, *p* is level of significance.

The KMO value is 0.849, and the Bartlett's Test of Sphericity chi square is 539.849 with a degree of freedom of 45 and a significance less than 0.001, according to the table. This showed that the data was suitable for factor analysis and the sample size was sufficient.

Table 3 : Rotated Component Matrix , Eigen Values and Total Variance Percentage for Components obtained by Principal Component Analysis with Varimax Rotation Method

Items	Component	
	1	2
Size or value of an incentive affect employee performance	0.81	
Employee perform better when incentives are directly tied to specific goals	0.792	
Timing of incentives affect employee performance	0.673	
Non- monetary incentives have similar impact on employee performance when compared to monetary incentives		0.77
Design of incentive programs affect employee performance	0.641	
Type of incentive affects employee performance	0.617	0.452
Performance- based incentives are different from recognition-based incentives in terms of driving employee productivity	0.598	0.482
Individual- based incentives have greater impact on employee performance than Team-based incentives	0.708	
Team- incentives have greater impact on employee performance than Individual-based incentives		0.735
Immediate incentives improve employee satisfaction and commitment than delayed incentives	0.785	
Eigenvalues	4.959	1.113
Percentage of total variance	49.589	11.126

Note: Factor Loadings >0.44

Table 3, shows the results summary for factor loading generated through varimax rotation for exploratory factor analysis using principal component analysis which resulted in two factors with eigenvalues greater than one. Loading less than 0.44 was excluded from the structure.

Factor 1 extracted was named as ‘design of incentives’, which consists of variables ‘size or value of an incentive’, ‘incentives directly tied to specific goals’, ‘timing of incentives’, ‘design of incentive’ and ‘type of incentives’ with a value higher than 0.5. the factor “Design” was used to group the variables mentioned above. The design of incentives plays a crucial role in influencing individuals' behaviour and motivating them to achieve specific goals. Previous literature has sighted design of incentives as aam pimportant factor (Haipeng et al, 2022). An effective incentive program should take into account various aspects such as the target audience, the desired outcome, and the preferences of the participants. It is essential to align the incentives with the objectives, ensuring they are challenging yet attainable.

The second factor extracted was named as ‘type’, which consists of variables ‘non- monetary incentives’ and ‘team incentives’ with a value higher than 0.5. The factor “Type” was used to group the variables mentioned above. Incentives come in various forms and are used to motivate individuals or groups to achieve specific goals or behaviours. One common type of incentive is financial rewards, such as bonuses or commission-based systems, which serve as a monetary motivator for employees to exert additional effort and achieve higher performance levels. Some literature has mentioned that non-monetary benefits, such as promotion, job stability, training, and a friendly working environment, also boost motivation (2023). Furthermore, non-monetary rewards, such as status, recognition and gratitude, work-life balance, delegation, workplace conditions, job enrichment, and employment stability, have a positive impact on employee performance (Briscoe et al., 2023). Similar to the results in this research, the literature also mention the importance of team incentives (Delfgaauw et al., 2020).

5. CONCLUSION

Incentives acts as motivation for employee to perform better in their jobs. This study investigated the factors that contribute to job performance through incentives. The demographics showed that the majority of the respondents were males in their youth who were freshers at work after completing their studies recently. As they were freshers, many did not receive any incentives as such during the period of this study. Exploratory factor analysis resulted in two factors- “design of incentives” and “type”. Further studies need to be done on metrics that can effectively measure the performance of people working in different domains and link these variables with the incentive estimation.

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