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Department of Business Administration

**Effect of Reward Practices on Employee Performance: The
Case of Oromia International Bank**

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JUNE, 2022

ADDIS ABABA, ETHIOPIA

**EFFECT OF REWARD PRACTICES ON EMPLOYEE
PERFORMANCE: THE CASE OF OROMIA
INTERNATIONAL BANK**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF
GRADUATE STUDIES, IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION**

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JUNE, 2022

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ST.MARY’S UNIVERSTY
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APPROVED BY BOARD OF EXAMINERS

As members of the Examining Board of the final MA open defense, we certify that we have read and evaluated the thesis prepared by Eman Mahamoud under the title **“Effect of Reward Practices on Employee Performance: The Case of Oromia International Bank”**, we recommend that this thesis to be accepted as fulfilling the thesis requirement for the Degree of Master of Art in Business Administration.

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DECLARATION

I hereby declare that this work entitled “**Effect of Reward Practices on Employee Performance: The Case of Oromia International Bank**”, is my own work, prepared under the guidance of Ephrem Assefa (Ph.D) and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

Name

Signature

St.Mary’s University, Addis Ababa, June, 2022

ENDORSEMENT

This thesis has been submitted to St. Mary's University School of Graduate Studies for examination with my approval as a university adviser.

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St. Mary's University, Addis Ababa

June, 2022

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Abstract

The purpose of this research was to examine effect of reward practices on employee performance in the case of Oromia International Bank S.C. Currently; Oromia International bank has a reward system in place as a means of enhancing employee performance. But the problem was that the bank has not conducted a study to measure which type of reward scheme is appropriate and which is not. The study used both descriptive and inferential research analysis. The researcher used probability sampling method and employees were selected from each stratum with a random sampling technique. A quantitative research approach of data collection was used were 231 structured Likert scale questionnaire were distributed out of which 218 questionnaires were appropriately filled and returned. The data was analyzed using the Statistical Package for Social Sciences (SPSS) Version 20. The result of the study indicated that payment, promotions, work environment, responsibility and recognition have positive and statistically significant effect on employee performance. Furthermore, the model summary of regression revealed that recognition significantly influences employees' motivation. Finally, the study recommends that the bank needs to carefully survey employees' needs, before designing any reward policy, in order to address the most valued employees' needs and implement accordingly.

Key words: Employee performance. Extrinsic Rewards, Intrinsic Rewards

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List of Acronyms

OIB	Oromia International Bank S.C.
AMO	Ability, Motivation, Opportunity
SPSS	Statistical package for social sciences

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Every organization's success mostly relies on the workforce it employs. Employees are the main and unique resources that organizations deploy in realizations of their objectives and goals. Employees are valuable resource of any organization. Employee's productivity and performance has been main concern of organizations. Rewarding employees for productivity is the focus of business organization. Rewards or incentives are things that motivate an individual to perform an action. They may be used to incite or tend to incite to action or greater effort, as a reward offered for increased productivity (Heath Field, 2013).

Before recognition of financial incentive, employees are simply treated as other Inputs under the production of goods and services. There is no overall difference in employee handling techniques in most financial institution in our country some scholars who have undertaken extensive research to recognize how the work of financial incentives influences employee performance in financial institutions. The constant changes occurring in the world, especially with regards to technology and innovation enforce companies to reassess the manner in which they communicate. To cope with these changing environment organizations need to use their resource effectively. Their resource may be available in human and non-human aspect. Undoubtedly, the most important factor is human in organizations. One of the main management strategies of the organizations is to invest in employees. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications because the survival and competitive advantage of any organization depends on the quality of human resources (Armstrong 2005).

Reward is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financial and non-financially (Aktar et al, 2012).A reward system is imperative for the employee performance and an

increase in employee's performance will obviously lead to an increased in organizational performance. Employee reward system could be defined as a program by an organization to reward performance and motivate individuals as well as group employees. In order for a company to design a reward system, the company should specify the organizational goals to be attained and the specific performance that will attract rewards. By doing so, the reward system will help management shape behavior of employees, thereby attaining the organizations goal. Chartered Management Institute (2004) noted that the traditional standard payment system has gradually taken over the reward system and all aspect of employee's compensation has been packaged together. Reward systems have a critical role in determining the organizations ability to attract high potential employees and to retain high performing employees to achieve greater levels of quality and performance (Fay and Thompson, 2001).

Cowherd and Levine (1992) pointed out that reward systems have a critical role in determining the organization's ability to attract high potential employees and to retain high performing employees to achieve greater levels of quality and performance. This is largely due to the fact that the well-rewarded employee feels that he/she is being valued by the company that he/she is working for. According to Luthans (2000), there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards mean pay for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non-financial rewards is also called materials award (Neckermann and Kosfeld, 2008). Therefore, this study is conducted to unlock effect of reward practices on employee performance in the case of OIB.

1.1.1 Background of the Organization

Oromia International Bank S.C. (OIB) was established in accordance with the pertinent laws, regulations and the 1960 Commercial Code of Ethiopia, by the Monetary and Banking Proclamation No. 83/1994 and by the Licensing and Supervision of Banking Proclamation No. 592/2008. Accordingly, on September 18, 2008, OIB obtained a banking business license. At the time of its establishment,

OIB's authorized capital was Birr 1.5 billion, whereas its subscribed capital was Birr 279.2 million, and its paid-up capital Birr 91.2 million. OIB began operation on October 25, 2008 by opening its first branch at Dembel City Center, named Bole Branch. Now, the Bank's branches reached more than 300 and have grown its paid up capital to Birr 3 Billion with its headquarters located in front of Shoa Bakery, near Getu Commercial Center in its own 13 story building on Africa Avenue (Bole Road). The Bank is now one of the most influential and popular private banks in Ethiopia and also known for pioneering Interest free banking services (Bank annual report, 2020). In light of the realities raised by different authors as mentioned above, the purpose of this study is to investigate the effect of reward practices on employees' performance in Oromia International Bank S.C.

Vision:

The vision of the bank is to become the bank of your first choice.

Mission:

The mission of the bank is committed in providing full-fledged and best quality commercial banking services within the pertinent regulatory requirement with due diligence to sustainable business while empowering the missing middle and discharging social responsibility by engaging highly qualified, skilled, motivated and disciplined employees and state-of-the- art information technology, adding real value to the shareholders interest and win the public trust.

Core values:

The core values of the bank are persistence, endurance and tenacity, customer satisfaction, transparency, integrity and confidentiality, team spirit and grooming potential successor, total respect to customers and employees, competitive and motivated human resource with ever growing skills, belongingness. The banks promote learning and innovative organization (Bank annual report, 2020).

1.2 Statement of Problem

In the unpredictable business environment and intense business competition, the companies are needed to achieve ways by improving their performance to become a winner overall their competitors and become successful. Human resource is

considered as the most important resource to affect job performance in organizations. To create an organization's competitive advantage is very dependent on the quality of human resources owned. For that, the company must be able to know what makes the employees motivated to maximize their potential to achieve work performance as expected so that organizational goals can be achieved.

Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set the rewards system to evaluate the employee's performance at all levels and then rewarding them whether visible pay for performance or invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically (Aktar et al, 2012).

A close look at employee performance of many organizations today reveals that many personnel are not happy with the present compensation scheme in the organization due to the ever changing needs. Mostly employees with good education and work experience are unsatisfied with their job and salary packages as a result low performances are inevitable (Abebe, 2019). If employees are well compensated and rewarded, they feel happier at their work places and perform at their maximum. Numerous surveys and experience of HR professionals have shown that while employees are concerned about how to earn more pay and enjoy attractive conditions of service, employers on the other hand would be striving to cut costs so as to post impressive profit at the end of the accounting period (Milkovitch and Newman, 2004).

Several empirical studies have been conducted on the relationship between reward systems and employee performance both in developed and developing countries (Saeed et al., 2013; Aktar et al., 2012; Dorothy and Okeke, 2019; Ahmed, 2017; Johnson and Osigbemhe, 2021 and, Myint and War, 2020). Saeed et al. (2013) pointed out financial rewards have positive and significant effect on performance of employees in the banking sector of Pakistan. Aktar et al (2012) in Bangladesh commercial banks and Ahmed (2017) in Pakistan concluded that extrinsic and intrinsic rewards cause positive influence on employee work performance. Dorothy and Okeke (2019) concluded that training, development and strategy always improves

employee performance in the banking sector. In recent time, Myint and War (2020) found that strong relationship between company's reward system and employee performance. Likewise, Obiaga and Itakpe(2021) concluded that reward system like bonuses, compensation and promotion significant relationship with employee performance.

In the case of Africa, several studies have been conducted to investigate the effect of reward on employee performance in different sectors mostly in manufacturing and financial sectors. These studies (Abdi Mohamud et al., 2017; Bambarandage and Priyankara, 2018; Mugaa et al., 2018; Ngwa et al., 2019; Surafel, 2017) discovered that reward plays an important role in terms of improving the performance of employees. Abdi Mohamud et al (2017) concluded that monetary rewards, job enrichment have significant and positive effects on employee performance. Bambarandage and Priyankara (2018) found that financial rewards like bonuses, salary Level, pension Schemes and non-financial rewards like recognition, promotions and empowerment were a significant impact on employee job satisfaction. Similarly, Mugaa et al. (2018) revealed that financial reward has a positive and significant effect on employee performance. Ngwa et al, (2019) findings revealed that, collective bargaining reward systems had a significantly positive impact on employee cohesiveness in manufacturing firms.

The interest of this study arises as a result of some gaps observed in the literature. Indeed, to the best of researcher's knowledge previous studies have examined reward system and employee performance, but most of the studies have taken reward system as a specific construct without examining various reward systems as they relate to employee performance for instance studies by (Myint and War, 2020; Mugaa et al., 2018; and Bambarandage and Priyankara, 2018) construct reward system as financial and non-financial reward system and Abdi Mohamud et al. (2017) construct as monetary and non-monetary reward system. Some empirical studies construct reward system as intrinsic and extrinsic without considering factors under each category (Alexander, Dahlavist, & Andreas Matsson, 2013 and Ahmed, 2017). This study will fill the gap by considering different factors under each reward system category.

In addition, limited studies have been conducted generally in Ethiopian banking industry and particularly in OIB. It is important to evaluate the employees' perception towards the prevailing reward practices currently adopted in the company, to verify that whether the reward scheme is, indeed, valued by the respective employees. Currently OIB has a reward system in place to enhance employee's job performance however, the company have not conducted a study to measure which reward scheme is appropriate and which is not.

According to the pilot study undertaken and discussion made with different staffs of OIB, issue relating to the reward practice which is not subjected to adjustment with the increase in cost of living which affects their job performance. Employees that the researcher conversed with have vented out that employees are qualified for promotion only if they have served the company for two or more years. Lack of work commitment and loyalty resulting from lack of promotion opportunity is the other source of lower job performance among the current staffs.

As a result, the stated problems initiated the researcher to further investigate employees' perception towards the prevailing reward practices of OIB; and to examine its effect on employees' job performance.

1.3 Research Hypothesis

The research hypotheses of this study were discussed as follows;

1. H1: Extrinsic reward has a statistically significant positive effect on employee performance

- H1a: Payment has a significant positive effect on employee performance
- H1b: Benefit has a significant positive effect on employee performance
- H1c: Promotion has a significant positive effect on employee performance
- H1d: Work environment has a positive significant effect on employee performance

2. H2: Intrinsic reward has a statistically significant positive effect on employee performance

- H2a: Recognition has a significant positive effect on employee performance
- H2b: Responsibility has a significant positive effect on employee performance

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study was to determine effect of reward practices on employee performance in Oromia International Bank S.C.

1.4.2 Specific Objectives

The specific objectives of the study address the following core points:

- 1) To assess the existing reward practices in the Oromia International Bank S.C.
- 2) To analyze the effect of intrinsic reward practice on employee performance in OIB
- 3) To determine the effect of extrinsic reward practice on employee performance in OIB
- 4) To investigate the type of reward practices are the most influential effect on employee performance in OIB.

1.5 Significance of the Study

The findings and recommendations of this study are believed to have significant contributions to several parties. The findings of the study will primarily benefit the management of the organization, it will help the company to have practical awareness about employees' perception and make the necessary improvements accordingly. Furthermore, it is also believed that the study will contribute to the current literature in the field of reward and employee performance hence; this study will give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues.

1.6 Scope of the Study

The scope of the study was delimited in three ways, i.e. geographically, conceptually, and methodologically.

- **Conceptual scope:** Theme wise, the study is aimed to determine the effect of reward practices on employee performance. Reward practices are broadly categorized into two broad groups namely intrinsic and extrinsic rewards. Moreover, this study is

delimited to examine employee or individual level performance rather than group or organizational performance.

- **Geographical scope:** In geographical terms, the study is delimited to one organization called in Oromia International Bank, head office located in Addis Ababa, Ethiopia.
- **Methodological scope:** Methodologically, the research study applied mixed research approach (quantitative and qualitative) in order to collect primary data and explanatory research design.

1.7 Limitations of the study

The presence of research limitations helps one to reflect upon the choices made during the preparation phase and the actual fieldwork and helps to identify possible unanswered or unaddressed questions that could be considered in the future research. Since it focuses on the effect of reward practices on employee performance some of the most important limitations are that the study has confined itself to surveying and interviewing sampled employees of Oromia International Bank who are currently working at its Head office, hence it excluded the branches of the bank. In order to acquire a more concreted result, the survey should have been carried out in a larger sample size, and some of the questionnaires were not properly filled and returned. And unanswered limitation will be considered in the future research.

1.8 Operational Definition of Terms

- **Human resources** are the people who make up the workforce of an organization or business sector, or economy (Armstrong 2005).
- **Rewards system/practice** is a planned and structured approach to reward one or more persons who act in a desirable way (Armstrong, 2007).
- **Intrinsic Rewards:** intrinsic rewards are the non-physical rewards. They cannot be seen or touched but are emotionally connected with the employees. In other words, intrinsic rewards can be defined as the feeling of contentment one finds in the completion of any task (Palmer, 2012).

- **Extrinsic Rewards:** an extrinsic reward is a tangible and visible reward given to an individual or an employee for achieving something. They usually have monetary value such as a salary hike, bonus, award, or public recognition (Palmer, 2012).
- **Employee performance:** the extent to which an organizational member contributes to achieving the goals of the organization. A work quality (productivity), customer satisfaction, job satisfaction timeliness, absenteeism or tardiness and achievement of objectives (Güngör, 2011).

1.9 Organization of the study

The study is organized into five chapters. The first chapter discusses the background of the study, statement of the problem, research hypotheses, objectives of the study, significance of the study, scope of the study, limitation of the study, operational definition of terms, and organization of the study. Chapter two illustrates the various literatures reviewed on the related subject followed by a conceptual framework. Chapter three demonstrates description of study area, research approach, research design, population, sampling and sampling methods, data source & collection instrument, reliability and validity of data collection instruments methods of data analysis, and ethical consideration adopted for the study with relevant justifications. The fourth chapter is about data presentation, analysis and interpretation. Finally, the fifth chapter will include summary, conclusion and recommendations based on the finding of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents existing literature on the selected title for study. This review establishes the theoretical frame work for the study which provides definition and elaboration on the main concepts of reward practices and employee performance in the Banking sector. Additionally, it reviews prior empirical studies along with their findings. Finally, the chapter presents the conceptual framework of the study.

2.2 Theoretical Review

2.2.1 The Concept of Reward

Reward is the compensation which an employee receives from an organization for exchanging for the service offered by the employee or as the return for work done (Lin, 2007). It also refers to the collection of brain structures that try to control and regulate behavior by inducing pleasure (Ajila and Abiola, 2004). Human resource can be rewarded and optimally utilized through rewarding it using different techniques of significance importance.

Furthermore, Pitts, (2011) stated that reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility. Pitts, (2011) also specified that pay is the most significant and motivating benefit that is received in return for performing a task or service .It is pay that motivates individuals to go out and seek work. Pay is also one of the few ways to set a mutually acceptance common value to the individual work contribution. Pay also can be a powerful de-motivator, if employees are not satisfied with the reward package, it will be hard for the company to recruit and retain good individuals.

Similarly, Torrington (2009) emphasized that advocates of the expectancy theory believe that employees will change their behavior by working harder to prioritizing their actions if they know that by doing so they will be rewarded with something of value to them. Hence, incentives are a great way to reward effort and behaviors which the organizations wish to encourage. If the incentive is paid in return for behavior that

contribution to the organizations goals, it will in the long run enhance organizational effectiveness and productivity and hence generates a positive outcome for both employer and employee. Pitts, (2011) underlined that the principle reward for performing work is pay, many employees however offer also reward packages of which wages and salaries are only a part of. The packages typically include: bonuses, pension schemes, health insurance, allocated cars, beneficial loans, subsidized meals, profit sharing, share options and much more. The term reward is not only referring to compensating people for their time at work but also aiming more on improving the performance of the individuals as well as that of the organization.

2.2.2 Reward Objectives

Different writers present varying purpose of reward management. But, the purpose of reward management includes attracting and retaining good employee, reducing absenteeism, motivating enhanced performance, developing employee skills, facilitating organizational culture and strategic objectives, and defining and reinforcing organizational structure. Among these, the idea of having or attracting and retaining good employee worth further enlightenment as many of the competitive advantage of firms in today's dynamic business environment lies more on having good pool of human resources than technology, good system in place and other production tools(Rose, 2014).

The main purpose of reward is to attract the right people and provide interest to motivate by some types of rewards, so that employees are dedicated to maintain high level of performances. Other purpose of reward is acknowledging individuals for their contribution and performances moreover should foster loyalty and pride in so that employee want to stay and strive to do their best (Rose, 2014).

Develop a positive employment relationship and psychological contract, and align reward practices with both business goals and employee values. Further, it helps to operate fairly apply equitably, function consistently and operate transparently (Armstrong, 2006).

Reward management is based on a well-articulated philosophy a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if

human resource is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (Armstrong, 2006).

2.2.3 Types of Rewards

By definition, incentives are an external persuading factor that encourages the motive which positively directs the individual into working harder, matching the required performance in the institution, as to get the incentive. Incentives are also defined both as methods used by institutions to encourage employees to work with high spirits and also as concrete and moral methods of satisfying the individuals' moral and material desires. Palmer (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he will work harder and produce more effectively when he feels satisfied in the institution. In addition to this, incentives can also be defined as the consideration of the excellent performance, assuming that the salary is enough to make the worker appreciate the value of the job that also satisfies his basic needs in life (Palmer, 2012).

There are several types of reward systems that organizations can use. According to McCormick and Tiffelin (1979), the system of rewards can be classified as intrinsic or extrinsic. Intrinsic reward system is those that are inherent in the job and which the individual enjoys as a result of successfully completing the task or attaining his goals. On the other hand extrinsic reward comes from external and it is tangible in order to appreciate the task performed by employee. In addition, according to John (2005), reward is broadly categorized by two: non-financial (intrinsic or intangible) rewards and financial (extrinsic or tangible) rewards. Financial and nonfinancial reward systems have a strong influence over the employee and enhance job satisfaction

Extrinsic rewards are external to the task of the job, including pay, work condition, fringe benefits, security, and promotion, contract of service, salary, incentives, bonuses, payments and job security the work environment and conditions of work (Badrinarayan and Tilekar, 2011). Thus, there is a need for an organization such as commercial banking to determine the reward system to offer at the organizational level rather than the individual managers.

2.2.3.1. Financial Rewards

Financial rewards are those that will enhance the employees financial well-being directly e.g. bonus, increase in wages and profit sharing schemes i.e. are pay bonuses, fringe benefits, transportation facility, medical facility, health and life insurance and benefits like vacation with pay meal facilities (Chelladurai, 2009).

Incentives and rewards in the world are regarded to positively affect Financial employees' commitment or loyalty. Employees stay in an organization because the costs for leaving the organization are higher than benefits to be a part of the organization (Saleem, 2011). Financial incentives and rewards make continuation of the employment relationship because they create the basis for high levels of commitment and employee motivation. Firms must develop strategies that include financial incentives and rewards for example promotion, bonus, profit sharing or gain sharing and employees stock ownership (Reese, 2018). Employees want their performance be appreciated by offering them appropriate rewards and benefit package as an effective way not only to achieve their organizational goals but also their continuation of relationship with talented employees (ibid).

Pay: is a payment system that employee view as being fair and proportionate with their skills and expectation is called pay. Employees are offered a financial reward for their services called pay which is a foremost stipulation in human resource management. Pay must be closely linked to the performance according to high achievers. Employees who do their best want reasonable pay that satisfies their needs. An equitable pay makes them feel appreciated. Money is ranked at the top for creating motivation because people require money to fulfill the basic necessities of life so it motivates the employees more than any other incentive (Sara L. Rynes, 2009). Others believe that money is influential for fulfilling their non-monetary needs such as authority, rank and belongingness with preferred groups. It is believed that people who have more money are more powerful in society as compared to those who have lesser money. So it is easier for them to have things their way. That's why money is often viewed as a sign of personal triumph and accomplishment (Scott A. Snell, 2014).

Bonuses: When employees reach certain standards and quotas to complete a certain project, they are given bonuses.

Fringe Benefit: A benefit that workforce is given with their job in addition to pay are called fringe benefits. The employee motivation is influenced by the availability of fringe benefits. The provision of fringe benefits will create an optimistic, motivating work environment and increases output and sales. The motivated workforce will lead to organizational excellence, prosperity, excellent quality and cost control.

Transport Allowance: The problems of the working force and retirement and their mental stress is increasing due to the inefficient transport system. Public transport is costly, scarcely available and unpleasant. Government is still unable provide adequate transport facilities to the commuters even in the major cities of the country. Environment and lack of infrastructure provision decreases labor force participation. So, there is a greater need to provide employees with more suitable transportation options. The availability of official enhancing employee satisfaction and accomplishing transport facility for employees who were living far from their workplace and were making their own transport and arrangements would reduce their financial burden and abilities of employees. Organizations should provide convenience effective role in motivating the employee by organizing to their staff because it will be very helpful in motivating the tasks in a way that are interesting and challenging at the employees.

Medical Facility: When medical and surgical expenses of the employee are paid by the insurer, it is said to be health insurance. It is a source of motivation and attracting the competent employees because health cost schedules, has increased over the time and health insurance decreases the financial burden of the employee and increases its motivation and commitment. The insured is determining either remunerated for the expenses of the illness or the health care provider is given the money by health insurance. It provides coverage for the stays in hospitals, visits and medical expense.

2.2.3.2. Non-Financial Rewards

Armstrong, (2007) identifies that non-financial rewards focus on the needs most people have and they include the need for promotion, recognition, job security and working condition.

Promotion: Koch and Nafziger, (2012) specified that promotions are desirable for most employees, only because they work harder to compensate for their “incompetence.” As a result, promotion at regular interval of time has an optimistic

approach behind and they are generally given to satisfy the psychological requirements of employees in the organization.

Recognition: According to Candi, (2013), a growing recognition of the opportunities of innovation is through experience staging. Recognition enhances the level of productivity and performance at job whether it is a first time performance or a repeated action at the job in a progressive way and ultimately reinforces the behavior of employee.

Working Conditions: Jung and Kim, (2012) stated that good work environment and good work conditions can increase employee job satisfaction and an employee organizational commitment. So the employees will try to give their best which can increase the employee work performance. Similarly, Cheng, (2013) concluded that there were evidences of moderating effects of age on the associations between psychosocial work conditions and health. Ruddy, (2007) Working conditions is defined by criteria like physical effort, working environment, sensory attention & physical risks.

2.2.4 Theories of reward

2.2.4.1 Valence–instrumentality–expectancy theory

Victor Vroom (1964) was the first to develop an expectancy theory with direct application to work settings, which was later expanded and refined by Porter and Lawler (1968) and others (Pinder, 1987). The expectancy theory has three key elements: expectancy, instrumentality, and valence (Vroom, 1964). A person is motivated to the degree that he or she believes that (a) effort will lead to acceptable performance (expectancy), (b) performance will be rewarded (instrumentality), and (c) the value of the rewards is highly positive (valence). Expectancy is a person's estimate of the probability that job-related effort will result in a given level of performance. Generally, estimates of expectancy by employees lie between two extremes. Expectancy, ranging from 0 to 1, is based on probabilities. If an employee sees no chance that effort will lead to the desired performance level, the expectancy is 0. On the other hand, if the employee is completely certain that the task will be completed, the expectancy has value 1. Instrumentality is an individual's estimate of the probability that a given level of achieved task performance will lead to various work outcomes. Valence is the strength of an employee's preference for a particular

reward. Theoretically, a reward has a valence because it is related to an employee's needs. Valence provides a link to the need theories of motivation.

2.2.4.2 Hertzberg's theory

According to Hertzberg (1950) the relationship of people to their work is a basic one and that their attitude towards their work can very well determine the performance. He states that intrinsic factor such as achievement, recognition, responsibility and advancements while extrinsic factors such as supervision, working conditions, interpersonal relations company policy and administration may lead to poor employee performance. Hertzberg states that motivating employees like achievement, recognition, responsibility and advancement are the characteristics that people find intrinsically rewarded. In Herzberg's original study, he identified six Motivator factors that are determined intrinsically by the employee. They include recognition, achievement, possibility of growth, advancement, responsibility, and the work itself. Motivators are referred to as "job content" due to the intrinsic nature of what is gained from Motivators (Herzberg, Mausner, & Snyderman, 1959; Maidani, 1991). Hygiene factors are determined by the extrinsic factors of an employee's job. There are ten Hygiene factors that were identified by Herzberg in his original study. They include salary, interpersonal relations supervisor, interpersonal relations subordinate, interpersonal relations peers, supervision technical, company policy and administration, working conditions, factors in personal life, status, and job security (Herzberg, Mausner, & Snyderman, 1959).

2.2.5 Employee performance

2.2.5.1 The Concept of Employee Performance

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations (Luthans & Stajkovic, 1999; Pfeffer, 1994). In addition, a commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include quantity of output, quality of output,

timeliness of output, presence at work, cooperativeness (Güngör, 2011). Macky& Johnson pointed that improved individual employee performance could improve organizational performance as well.

2.2.5.2 Measurement of employee performance

A good deal of research in human resource management has suggested that employee performance could be measured by work quality (productivity), customer satisfaction, job satisfaction timeliness, absenteeism or tardiness and achievement of objectives (Njanja 2013). Quality can be measured by percentage of work output that has been rejected or is redone; Customer satisfaction that can be measured by taking together the number of loyal customers and customer feedback, timeliness is measured by of how fast work is done by the employee when assigned a given task; absenteeism or tardiness is observed when employees are absent from work and achievement of objectives is captured by employee exceeding its target on a given task, he/she is then considered to have performed well to attain objectives (Hakala 2008). Measuring individual performance of employees in an organization is as important as weighing the effect of reward system on the workforce and by extension, the organization. In addition, Torrington, Hall & Stephen (2008), planning in an enabling environment have a serious effect on individual performance, by means of performance goals and standards, suitable resources, guidance and support from the managers are at the central of every organization.

Ways of measuring the performance of the employees;

1-The Amount of the Effort: It refers to the amount of the physical or mental energy that the individual spends in a specific period of time in the work, in addition to the speed in performance.

2- The Quality of the Effort: It refers to the level of the quality of the done work and the degree of matching between the done work and some specific standards. Some kinds of work are not measured by the amount or the speed of performance; but rather by the degree of error-free performance and matching between the production and the required standards.

3- Manner of Performance: It is the way in which the work duties are done. For example, Performance can be measured through the manner of performance, measuring problem-solving strategies or in problem detecting.

4-Rates of Performance: It refers to the process in which the evaluator increases the employee's productivity in order to determine the efficiency, the quality and the amount of the employee's work in a specific period of time. Then, he compares the employee's done work with the specified rate (Al-Rabayah, 2003).

2.2.5.3 Theoretical foundation of the study

Ability, Motivation, Opportunity Theory (AMO Theory)

Expectancy theory of motivation explains the link between motivation and performance. The theory proposes that performance at individual level depends on high motivation, possession of the necessary skills and abilities and an appropriate role and understanding of that role. The AMO-theory is a theory that is often used in management disciplines when discussing an individuals' work performance (Siemsen et al., 2008). The framework has been theoretically developed and empirically tested and gives insights in performance improvements and knowledge sharing (Turner & Pennington, 2015).

Ability: The first dimension of the AMO-framework is ability. Ability is the extent to which necessary resources are available to make a certain outcome happen (Gruen, Osmonbekov & Czaplewski, 2006). Ability is very essential for an employee to properly carryout a given task.

Motivation: The second component of the AMO-framework is motivation. Ryan and Deci (2000) argue that when someone is motivated this means that someone is moved to do something. Motivation is not a unitary phenomenon, the level of motivation or the orientation for motivation can differ (Ryan & Deci, 2000). In the period of work experience, a student has the choice to elect to engage in workplace activities (Billet, 2001). Ryan and Deci(2000) distinguish three different types of motivation, namely amotivation, extrinsic motivation and intrinsic motivation. The first type of motivation is amotivation. amotivation means that there is an absence of both intrinsic and extrinsic motivation (Vallerand et al., 1992). This means that an individual does not experience motivation at all, and therefore is not motivated (Vallerand et al., 1992). In order to develop generic skills and to improve their work performance, this type of motivation would not be beneficial for carpentry students. If they are not motivated at all, their work performance is negatively influenced. The second type of motivation is extrinsic motivation. According to Ryan and Deci (2000), extrinsic

motivation is a construct that pertains whenever an activity is done in order to attain some separable outcome. It is about doing an activity for its instrumental value. Extrinsic motivation is something within the environment that triggers someone to be motivated (Bénabou&Tirole, 2003). For the work performance carpentry students this means that something outside the carpentry students themselves motivates them to do something.

Extrinsic motivation is the type of motivation that is most experienced by individuals (Ryan

& Deci, 2000). The period of work experience is a period in which the carpentry student is triggered by extrinsic motivation, as they learn in practice. The third type of motivation is intrinsic motivation. Intrinsic motivation is about the fact of doing an activity for itself, and the pleasure and satisfaction derived from participation.

Opportunity: The final dimension of the AMO-framework is opportunity. Blumberg and Pringle (1982), show that work performance is affected by three factors. They argue that prior research into work performance of individuals is based on the ability and the willingness to perform. They, however, stress that there is another dimension that is important when looking at the work performance of individuals, namely opportunity. Opportunity is the configuration of the forces in the environment of a person that enables that persons' work performance (Blumberg& Pringle, 1982).

Overall, AMO theory states that employee performance depends on the three basic conditions (ability, motivation and opportunity). This theory is important to explain the link between reward and employee performance in that an organization that put good reward system (both intrinsic and extrinsic) in place is more likely to generate high level of performance from its employees. This theory is in line with the social exchange theory (Blau, 1964) who states that when an organization creates good working condition and invests a lot on its employees such as through arranging training and development programs, and providing attractive reward and incentives, employees in return will reciprocate back with high level of commitment and performance.

2.3. Empirical Literature Review

Many studies have been conducted to determine the relationship between reward and job performance. Ali and Ahmed (2011) examined the relationship between reward system, job satisfaction and performance. The findings indicated that there is a statistically significant, direct and positive relationship between rewards (promotion, recognition, working conditions, benefits, dimension of personal, leader/supervisor, general) and work satisfaction and motivation. Hence, if rewards offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction.

Saeed et al (2013) conducted a study on factors affecting the performance of employees at work place on a sample of 200 employees in the banking sector of Pakistan. The identified variables by include manager's attitude, organizational culture, personal problems, job content and financial rewards. All of these variables have positive impact on the performance of the employees except personal problems of the employees that hinders the performance of the employees.

Alexander, Dahlavist, & Andreas Matsson (2013) examined the impact of extrinsic and intrinsic rewards on employee motivation in LansforsakringarSkane Insurance Company. The study has a population of 275. Simple least square regression method was used to test hypotheses. The study found out that extrinsic reward are to some extent old fashioned and employees' are nowadays searching for rewards beyond solely monetary rewards.

Aktar et al (2012) investigated the relationship between rewards and employee performance as well as to identify the relationship between extrinsic and intrinsic rewards. The study explored factors determining extrinsic and intrinsic rewards and their impact on employee performance and actions to influence the commercial banks for a consideration of a more systematic and structured approach to acknowledge employee's efforts which would in turn prosper high performance culture in commercial banks of Bangladesh. The result indicates that there is a statistical significant positive relationship between all of the independent variables with dependent variable (employee work performance).

In addition, Mohamud et al (2017) investigated the effect of motivation on employee performance in Hormuud Company in Mogadishu Somalia. The study used descriptive research design in order to describe the variables of the study. The Data was being collected used structured questionnaire as a research instrument. The results and findings indicated that monetary rewards, job enrichment have significant and positive effects on employee performance, in while there is positive and insignificant effect of training on employee performance also results indicate there were good relationship between motivation and employee performance and the research results showed that employee motivation influences employee performance of Hormuud Company in Mogadishu Somalia.

Mugaa et al (2018) analysed the Influence of financial reward on employee performance in large commercial banks in Nairobi City County in Kenya. The study adopted a descriptive research design. Primary data was collected using structured questionnaires that had both close ended and open-ended questionnaires. Based on the findings, the study concluded that financial reward has a positive and significant effect on employee performance. The study recommended for management to consider the many factors involved in a complex and dynamic situation before making decisions on financial rewards that will influence the effectiveness, efficiency and ultimately the sustainability of their organizations.

Ngwa et al (2019) have investigated the effect of reward system on employee performance in selected manufacturing firms in the Littoral Region of Cameroon. Specifically, the study assesses the degree to which profit sharing affects employee commitment in manufacturing firm; ascertains the effect of flat-rate systems on employee work values in manufacturing firms; and appraises the influence of collective bargaining reward systems on employee cohesiveness in manufacturing firms. The major source of data used for the study was primary data and the instrument used for data collection was questionnaire. The findings revealed that, profit sharing had a significantly positive effect on employee commitment in manufacturing firms; flat rate systems had a significantly negative effect on employee work values in manufacturing firms; and collective bargaining reward systems had a significantly positive impact on employee cohesiveness in manufacturing firms.

Myint and War (2020) investigated the effect of reward system on employee performance of KBZ bank in Yangon. The primary data is collected with structured

questionnaires from 200 employees who are working under KBZ bank. The result of the study indicates that there is strong relationship between company's reward system and employee performance. There is also interconnection between employee commitment and employee performance. According to the survey results, among financial and non-financial rewards, bonus and recognition have the greatest contribution to the effect on employee commitment in KBZ bank. Besides, the employees of KBZ bank satisfy on financial rewards compare with non-financial because it improves their commitment and increases their performance. Moreover, the findings show high level of performance concerned with affective commitment because of their emotional attachment and involvement in the bank. And then the study recommends that in order to improve employee performance, they should engage in financial rewards rather than non-financial rewards because the financial rewards influencing on employee performance could improve organizational goals.

In recent time, Obiaga and Itakpe(2021) examined reward system and employee performance in the oil and gas industry in Rivers State. The objectives include: to examine the influence of bonuses on employee productivity; to analyses the relationship between compensation and employee productivity; and to determine the influence of promotion on employee productivity in oil and gas industry in Rivers State. Based on the sample of 243 respondents, the results indicate that there is a significant relationship between bonuses and productivity, compensation and productivity, promotion and productivity in the oil and gas industry in Rivers State.

Atakilt (2020) investigated a study the impact of reward and compensation on employee performance in private and public hospitals in Tigray, Ethiopia. A cross sectional simple survey involving 379 human resource employees of the public and Private Hospitals found in Tigray regional was carried out from January to March 2019. Participants from each private and public general and primary Hospital were selected using simple random sampling (SRS) and the survey was supplemented by structured questionnaire adopted from literature reviews. The findings show that there was impact of employee Reward Compensations in public and private health facilities in Tigray region, Ethiopia.

2.4. Research Gaps

This section is to identify that, the existing empirical evidences of research gaps as shown in the above empirical literature reviewed studies conducted by many researchers in relation to the effect of reward practice on employee performance. Indeed, previous studies have examined reward system and employee performance, but most, to the best interest of the researcher have taken reward as a specific construct without examining various reward systems as they relate to employee performance for instance studies by (Myint and War, 2020; Mugaa et al., 2018; and Bambarandage and Priyankara, 2018) construct reward system as financial and non-financial reward system and Abdi Mohamud et al. (2017) construct as monetary and non-monetary reward system. Some empirical studies construct reward system as intrinsic and extrinsic without considering factors under each category (Alexander, Dahlavist, & Andreas Matsson, 2013 and Ahmed, 2017). It is from this background that this study will conduct in order to investigate the effect of intrinsic and extrinsic reward system on employee performance in the organization by considering different factors under each category. In addition, to the best of my knowledge none of the empirical study have been conducted in Oromia International Bank using intrinsic and extrinsic reward system since in the organization many numbers of employees were complained about reward system.

2.5 Conceptual Framework of the study

After the study of literature review, the following conceptual model is formulated to show the effect of rewards (intrinsic and extrinsic rewards) on employee performance. In this study employee work performance was considered as a dependent variable and intrinsic and extrinsic rewards were taken as independent variables. The major variables within the extrinsic variables were; payment, benefits, promotion, work condition and supervision and within intrinsic variable; work content and recognition was the major variables. The conceptual framework of the study was developed based on AMO theory which states that employees will perform better provided that the three conditions are met, namely ability, motivation and opportunity. In this regard, rewards (both intrinsic and extrinsic) play crucial roles in terms of boosting the job performance of employees.

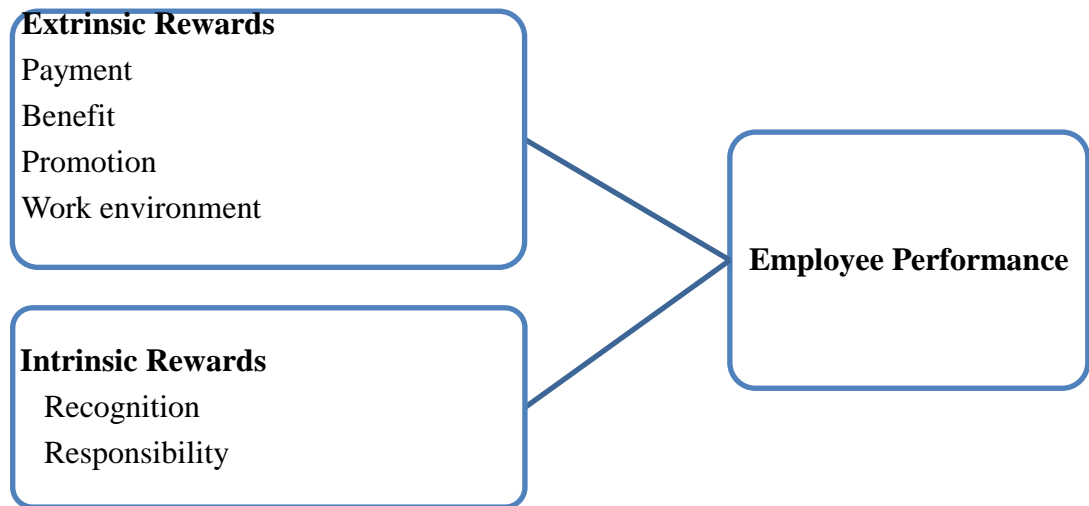


Figure 2.1: Conceptual Framework (Adapted Aktar et al. (2012: pp.11) and modified by researcher.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents overview of the research methodology that was used in this research. The chapter details the description of the study area and overall research methodologies; Sample size determination, Sampling procedure, Method of data collection and method of data analysis used in reporting.

3.2 Research Approach

The study has employed mixed research approach. Quantitative method of research approach is study involving analysis of data and information that are descriptive in nature and quantifiable (Saleem, 2011). The quantitative data was collected and analyzed in order to elaborate the quantitative results obtained in the analysis structures and information that will allow the decision maker or researcher to model cause-and effect relationships between two or more decision variables (Hair et al, 1998). The researcher also used a cross sectional survey because the data was collected at one point in a time to compare the factor affecting employee turnover intension variable of the case bank. Cross sectional design is studies in which various segment of population are sampled at a single point in a time (Zikmund, 2003). Qualitative approach is used to find out about certain attitudes, trends, or opinions by studying the sample of the populations (Jackson, Camara, and Drummond, 2016).

3.3 Research Design

A research design is a plan or a blueprint of how to design conducting the research (Bobbie and Mouton, 2001). The function of research design is to provide the collection of relevant evidence with minimal expenditure of effort, time, and money (Kothari, 2004). In order to answer the research questions and achieve the stated objectives, the study was used a combination of descriptive and explanatory research designs. Therefore, in order to analyze the existing situation under consideration, descriptive research and explanatory design was employed. On the other hand, the researcher also used explanatory research design to collect and create data structures

and information that allow the decision maker or researcher to model cause-and effect relationships between two or more decision variables (Hair et al., 1998). Descriptive survey design helped the study to gather varieties of data to achieve the objectives of the study by describing the situation as it is. It helped in assessing the practices by addressing the size of population and describes the situation. Therefore, a descriptive survey will appropriate and relevant in describing the existing situation of employees' turnover. In terms of data collection type and source, the researcher employed survey research technique using structured; enumerators administered questionnaire to obtain first hand qualitative and quantitative data from target population.

3.4 Sources of Data

The data required for attainment of this study's' objective was collected from both primary and secondary sources. In attempt to get first-hand information the researcher employed questionnaire, observation and interview as instrument. Close ended questionnaire were prepared and administered. The completed questionnaires provided useful information in such a way that the respondents may reveal their attitudes on issues relating to professional employees' turnover causes that is used to understand them as factors in the bank.

In addition, departmental documents, records and archives were reviewed to explore turnover trends. Then, all the data that was collected and identified the effect of reward practice on employee performance.

3.5 Target Population, Sample Size and Sampling Method

3.5.1 Population

The target population for this study constituted permanent employees of Oromia International Bank S.C who work at the head quarter office. Totally, there are 544 permanent employees working at the head office.

3.5.2 Sample Size

Regarding the employee respondents, the researcher used Yemane's formula (1967), in order to determine the sample size of the population. This formula is reliable to 95% and has only 5% margin error.

$$n = \frac{N}{1 + N(e^2)} = \frac{544}{1 + 544(0.05^2)} = \frac{544}{2.36} = 230.5084$$

Where:

n = the sample size

N = size of population

e = the level of accuracy (e = 0.05)

3.5.3 Sampling Technique

Accordingly, the number of sample items from the total population of 544 employees is 231. Since employee perception towards reward system is presumed to vary across employee types of an organization, the student researcher has applied a stratified proportional sampling method, a type of random sampling method, in which proportional samples was drawn from different departments or work units. Thus, in order to determine the number of sample items from each stratum; the researcher used the following formula.

Sample size = Number of staffs in each stratum X 231 (total sample size)

Total Population

Table 3.1: Proportional Distribution of Sample to each stratum

Serial no	Name of the department	Total Number of Employees	Proportion Sample size
1	Accounting and Treasury Department	45	19
2	Operation and District support Department	30	13
3	Change and Project management Department	9	4
4	Credit Management Department	45	19
5	Human Resource management Department	59	25
6	Interest Free banking Department	25	11
7	International Banking Department	57	24
8	Credit Monitoring and Loan Recovery Department	11	5
9	E-banking Department	26	11
10	Internal audit Department	26	11
11	IT Modernization Department	8	3
12	IT Security Department	8	3
13	IT System support Department	51	22
14	Legal Service Department	15	6
15	Procurement and Facility management Department	89	38
16	Risk Management and Compliance Department	16	7

17	Strategic Management and Business development Department	24	10
Total		544	231

(Source: Self-developed)

3.6 Data Collection Method

The main data gathering instruments were questionnaire, interviews and document analysis. The researcher used questionnaire to get quantified result. To maintain the data collection instrument valid and reliable, the researcher employed different techniques prior to collection and before analysis. Data regarding reward practices was gathered from employees via questionnaire. Moreover, data about the respective employees' job performance was obtained from the bank's HR department.

3.6.1 Questionnaire

Structured questionnaire is used in order to reach wide range of respondents in order to acquire information to examine and explain the relationships between variables. The survey questionnaire has two parts; the first part contains demographic variables which indicate profile of survey participants; such as gender, age category, marital status, highest qualification and lengths of service in the company. The second part comprised close-ended question statements, so as to measure the variables of the study. The questions was framed using Likert's scale of measurement ranging from strongly agree to strongly disagree (Strongly agree 5, Agree 4, Neutral 3, Disagree 2 and Strongly Disagree 1).

3.7. Reliability and Validity of Data Collection Instruments

3.7.1. Validity

In order to ensure the quality of the research design, content and construct validity of the study was checked. The student researcher has adopted valid and reliable Likert scale items from prior scholars to measure reward practices and job performance. The face and content validity were verified by the advisor of this research, who looked into the appropriateness of questions and the scales of measurement. The variables are measured using five points Likert scale.

3.7.2. Reliability

Cronbach's alpha is one of the most commonly accepted measures of reliability. It indicates that the extent to which the items in a questionnaire are related to each other (Fubara and Mguni, (2005)). The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflect a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability. George and Mallery (2003) provide the following rules of thumb while interpreting reliability coefficients: $\geq .9$ -Excellent, $\geq .8$ - Good, $\geq .7$ acceptable, $\geq .6$ Questionable, $\geq .5$ -Poor and $.5 \leq$ – Unacceptable. Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item for instance as shown in the below factor loading table, all the latent variables and their corresponding indicator variables consisted of multi-item questions. As reported by Gliem and Gliem (2003), a single item question is not reliable to conclude as compared to summated multi-item questions. As shown in table 3.2, the researcher adopted reliable measurement scales (Cronbach alpha >0.70) from prior scholars to gauge extrinsic and intrinsic reward practices.

Table 3.2: The reliability of data collection instruments

Variables	N of items	Cronbach alpha	Name of the scholar/s who developed the scale, year)
Extrinsic reward			
• Payment	6	0.95	Aktar et al., (2012); Meskob (2019)
• Benefit	4	0.824	Aktar et al., (2012); Meskob(2019)
• Promotion	3	0.96	Ahmed (2017); Meskob (2019)
• Work environment	4	0.807	Aktar et al., (2012); Meskob (2019)
Intrinsic reward			
• Recognition	3	0.837	Ahmed, (2017);Meskob (2019)
• Responsibility	3	0.8	Aktar et al., (2012);Meskob, (2019)
Employee performance	7	0.8	Ahmed (2017);Meskob (2019)

3.7 Method of Data Analysis

Both qualitative and quantitative data were gathered to meet the research objectives. Once quantitative data was collected, verification was conducted, and complete questionnaires were identified. Then the data was coded into SPSS (statistical package for social science) according to the variables selected and the questions asked. The data analysis was performed using descriptive and inferential statistics. SPSS statistics (statistical Package for social scientists) software version 20 was used to process the data. Moreover, qualitative data gathered via interview were analyzed through thematic analysis.

3.7.1 Descriptive statistics

The final report of the relevant demographic variables was produced through central tendency measurements (frequency and frequency distribution, valid & cumulative percentage, and comparison of mean). Also, tabular explanations are used to present the result with the help of SPSS.

3.7.2 Inferential statistical Analysis

In inferential statistical analysis, correlation and multiple linear regression methods was utilized using statistical package for social sciences (SPSS) software. The use of these statistical tools and methods of presentation are described below.

3.7.2.1. Correlation

Correlation (r) is used to describe the strength and direction of the relationship between two variables. Since all variables are measured as an interval level, Pearson product-moment correlation was used. Correlation “ r ” output always lies between -1.0 and +1.0 and if “ r ” is positive, there exists a positive relationship between the variables. If it's negative, the relationship between the variables is negative. While computing a correlation, the significance level shall be set at 95% with an alpha value of 0.05 or a chance of occurrence of odd correlation is 5 out of 100 observations.

3.7.2.2. Multiple Regression Analysis

Based on the developed conceptual framework on the study (figure no 2.1), the relationship between selected independent variable and dependent variable is expressed mathematically in the multiple regression equation. Multiple regression analysis is a major statistical tool for predicting the unknown value of a variable from

the known value of variables. And it is about finding a relationship between variables and forming a model. The Model for this study is developed using six factors or predictors which have influences on employee performance.

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \epsilon_i$$

Where Y is the dependent variable and the independent variables are those which explain the response ranges from X1 to X6.

Where: Y= Employee performance

X1= Payment

X2= benefit

X3= Promotion

X4 = Work environment

X5 = Recognition

X6 = Responsibility

β_0 to β_6 are the coefficients and ϵ_i the error term

Table 3.3: Model Specification of Variables.

No	Independent variable	Beta Coefficients (β)	Independent variable assigned by X
1	Payment	β_1	X ₁
2	Benefit	β_2	X ₂
3	Promotion	β_3	X ₃
4	work environment	β_4	X ₄
5	Recognition	β_5	X ₅
6	Responsibility	β_6	X ₆
	Dependent variable		Variable assigned by Y
1	Employee performance		Y

3.8. Ethical Consideration

To make the research process professional, ethical principles of the study was more considered by the researcher. The researcher informed the study participants about the purpose of the study i.e. purely for academic; the purpose of the study also be introduced in the introduction part of the questionnaires and during interview to the respondents, as well as confirmation that subject's confidentiality will protect. In addition to this, ethical consideration the respondents will inform that, their participation in the study based on their consent and willingness that this research study will not personalize any of the respondent's response during data presentations analysis and interpretation. Furthermore, all the materials used for this study will acknowledged as well.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

This section presents and explains data which was obtained from analysis. The findings have been analyzed on the basis of the specific objectives of the study. The section contains three sub-sections detailing general information and findings of the study in line with the objectives. The study was mainly conducted to determine the effect of reward practices on employee performance in Oromia International Bank S.C. It was based on a sample of 231 employees.

A total of 231 questionnaires were distributed to the respondents and from those 224 (96.96%) questionnaires were collected through a self-administered survey and 218 (94.37%) questionnaires were properly filled and ready for analysis. Then after, the data were entered into SPSS. The dataset was rechecked to ensure the accuracy of the data entry. The minimum and maximum data values on each variable related to each case were checked to detect any irregular or unusual data values.

4.2 Demographic Information

This section covers respondent's age, gender, education level and work experience at Oromia International Bank S.C of the respondents. Table 4.1 shows that more than half of the respondents (62.8 %) were male and 37.2 % the respondents were female. This implies that both genders were involved in the study. As per the table below majority of the respondents were in the age group of below 30 years (35.8 %), and followed by 31 -40 years (35.3 %), 41- 50 years (21.1 %) and above 50 years (7.8 %). The age bracket implies that the respondents were comprised of heterogeneous groups; which in turn enabled the researcher to get varied responses across the sample units fairly distributed. Hence, the study did not suffered from age bracket bias.

Regarding education level, results depict that 78 percent of employees have first degree, 14.2 percent of the respondents have second degree and above, 6.4 percent of the respondents have diploma and also 1.4 % of the respondents were completing

certificate. For this result we can understand that majority of the respondents have first degree.

Table 4.1: General Background Information of Respondents

No.		Item	Frequency	Percent	Cumulative Percent
1	Gender	Male	137	62.8	62.8
		Female	81	37.2	100.0
		Total	218	100.0	
2	Age	Below 30 years	78	35.8	35.8
		31-40 years	77	35.3	71.1
		41- 50 years	46	21.1	92.2
		Above 50	17	7.8	100.0
		Total	218	100.0	
3	Education	Certificate	3	1.4	1.4
		Diploma	14	6.4	7.8
		1st Degree	170	78.0	85.8
		2nd Degree and above	31	14.2	100.0
4	Work Experience	Less than 2 years	45	20.6	20.6
		3-4 years	79	36.2	56.9
		6 -8 years	57	26.1	83.0
		8 - 10 years	37	17.0	100.0
		Total	218	100.0	

Source: Own computation and survey, 2022

Experience is one of the competences to understand controlling activities in organization. Experience also referred to as professional competence which comes through practice. In the literature it is indicated that commitment to this competence by employees is one part of effective control system. The results in table 4.1 illustrate the work experience of the respondents in the Oromia International Bank S.C. The findings are that 20.6 % of the respondents have been in the organization for less than 2 years. 36.2 % of the respondents have been in the organization for 3– 4 years, 26.1 % of the respondents has been in the organization from 6 to 8 years while 17 % has years of service of 8-10 years. This implies that majority of the respondents have above 3 years experiences and which in turn added recognized value for this study.

4.3 Reliability test

Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item for instance as shown in the below factor loading table, all the latent variables and their corresponding indicator variables consisted of multi-item questions. As reported by Gliem and Gliem (2003), a single item question is not reliable to conclude as compared to summated multi-item questions. As reported by the above scholars, a single item question is not reliable to conclude as compared to summated multi-item questions. The reliability test of the study is located on “very Good” range.

Table 4.2: Reliability Test of Variable’s Using Cronbach’s Alpha

Reliability Statistics					
No	Variable Name	Cronbach's Alpha Value	Cronbach's Alpha based on standardized items	No of items	(α) reliability ranges
Independent variables					
1	Payments	0.819	0.818	6	Very Good
2	Benefit	0.629	0.729	4	Very Good
3	Promotion	0.744	0.742	3	Very Good
4	Working Environment	0.741	0.741	4	Very Good
5	Responsibility	0.842	0.841	3	Very Good
6	Recognition	0.796	0.798	3	Very Good
Dependent variable					
1	Employee performance	0.878	0.908	7	Excellent

Source: Own computation using SPSS of the survey, 2022

4.4 Descriptive Statistics for Reward Practices

In this section, the factors that affecting employee performance discussed. The study sought to determine the effect of reward practices on employee performance in Oromia International Bank. Reward practices were viewed in term of payment,

benefits, promotions, work environment, responsibility and recognition as the independent variables and employee performance as the dependent variable.

4.4.1 Extrinsic Reward Practices

A Likert scale was used to rate this variable's effects on a scale of 5 point within a range of; 1 = strongly disagree representing the lowest scale and 5 = strongly agree representing the highest scale and were analyzed using the mean score. The closer the mean score on each score was to 5, the stronger the agreement was to the statement posed. A score around 2.5 would indicate uncertainty while scores significantly below 2.5 would suggest strong disagreement with the posited statements.

Table 4.3: Extrinsic Reward

A. Payments	Mean	Std. Dev.
My salary is equitable when compared with other banks	3.21	1.011
My salary payment is satisfactory in relation to what I do	2.94	1.093
I am satisfied by the bank pay grade	2.78	1.099
My salary is in accordance with my work experience and increases on fair manner	2.33	1.144
Salary adjustment or increment is made on reasonable time period	2.94	.924
The Pay System of the bank has effect on my job performance	3.21	.925
Grand Scores	2.89	.75031
B. Benefit		
The bank pay Competent benefit in the Market	3.20	1.185
Distribution of bonus to all level (both Managerial and Non-Managerial) is fair	3.44	1.064
Benefit and Bonus payment the bank are matched (Bonus based on Profitability of the bank is Matched)	3.60	2.200
The benefit system of the bank has effect on my Performance	3.59	1.096
Grand Scores	3.45	1.007
C. Promotion		
Everyone has an equal chance to be promoted	3.63	1.013
The institute's promotion policy is clearly communicated to all Employees	3.34	1.142
The existing Promotion motivate employees for high level of performance	3.46	1.025
Grand Scores	3.47	0.8633
D. Working Environment		

I am provided with adequate facilities and resources to do my job effectively	2.95	1.024
The working condition like space, seating arrangement, ventilation, refrigerator, lighting etc helped me to do my duties in better way	2.99	1.080
The bank provides flexible work hours to accommodate my personal needs	2.70	.984
All in all I am satisfied with the working condition of the bank	3.22	1.007
Grand Scores	2.96	.7683

Source: Own computation using SPSS of the survey, 2022

The aggregate score (Mean = 3.89) also suggests that the payment rewards being employed in the firm were favorably received and were spurring employee performance. The study finding shows that in achieving payment, My salary is equitable when compared with other banks (Mean = 3.21, SD = 1.011), The Pay System of the bank has effect on my job performance (Mean = 3.21, SD = 0.925), Salary adjustment or increment is made on reasonable time period (Mean = 2.94, SD = 0.924) and My salary payment is satisfactory in relation to what I do (Mean = 2.94, SD = 1.093) are the most important factors of employee performance under payment practice in the organization. The findings of the study indicates that I am satisfied by the bank pay grade (Mean = 2.78, SD = 1.099) My salary is in accordance with my work experience and increases on fair manner (Mean = 2.33, SD = 1.144) are also important factor components of employee performance under payment practice in the organization.

The aggregate score (Mean = 3.45) also suggests that the benefit rewards being employed in the firm were favorably received and were spurring employee performance. As per the table above to achieving benefit in the organization, Benefit and Bonus payment the bank are matched (Bonus based on Profitability of the bank is Matched) (Mean = 3.6, SD = 2.22), The benefit system of the bank has effect on my Performance (Mean = 3.59, SD = 1.09), Distribution of bonus to all level (both Managerial and Non-Managerial) is fair (Mean = 3.44, SD = 1.064) and the bank pay Competent benefit in the Market and (Mean = 3.2, SD = 1.185) were most important factors of employee performance under benefit in the organization.

The aggregate score (Mean = 3.47) further indicates that the promotion schemes in the firm were instrumental in improving employee performance. To achieving promotion in the organization, everyone has an equal chance to be promoted (Mean = 3.63, SD =

1.013), the existing Promotion motivate employees for high level of performance(Mean = 3.46, SD = 1.025) and the institute's promotion policy is clearly communicated to all Employees(Mean = 3.34, SD = 1.142) were the most important factors of employee performance under promotion in the organization.

As per the table 4.3 the study finding shows that in achieving working environment,All in all I am satisfied with the working condition of the bank(Mean = 3.22, SD = 1.007), The working condition like space, seating arrangement, ventilation, refrigerator, lighting etc helped me to do my duties in better way(Mean = 2.99, SD = 1.08), I am provided with adequate facilities and resources to do my job effectively(Mean = 2.95, SD = 1.024), I am provided with adequate facilities and resources to do my job effectively(Mean = 2.7, SD = 0.984) are important factors of employee performance under working environment in the organization.

4.4.2 Intrinsic Reward Practices

A Likert scale was used to rate this variable's effects on a scale of 5 point within a range of; 1 = strongly disagree representing the lowest scale and 5 = strongly agree representing the highest scale and were analyzed using the mean score. The closer the mean score on each score was to 5, the stronger the agreement was to the statement posed. A score around 2.5 would indicate uncertainty while scores significantly below 2.5 would suggest strong disagreement with the posited statements.

Table 4.4: Intrinsic Reward

Responsibility	Mean	Std. Deviation
Employees have clear job responsibilities in our organization	2.71	1.032
Employees participate in decisions making that has a positive effect on their work performance	2.78	1.040
I perform my duty with full autonomy and freedom	2.83	.981
Grand Scores	2.77	.887
Recognition		
I get credit for what I do	3.28	.936
I receive constructive criticism(positive feedback)about my work	3.22	.916
The existence of recognition for good work, has given me an opportunity to Perform well	3.16	.985

Grand Scores	3.2202	.68068
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Source: Own computation using SPSS of the survey, 2022

The aggregate scores (Mean = 2.77) indicate that most employees were not content with their responsibility and also there was uncertainty on whether the current responsibility in the firm led to improved employee performance. The study finding shows that in achieving responsibility under intrinsic reward, I perform my duty with full autonomy and freedom (Mean = 2.83, SD = 0.981), employees participate in decisions making that has a positive effect on their work performance (Mean = 2.78, SD = 1.04) and Employees have clear job responsibilities in our organization (Mean = 2.71, SD = 1.03) are important components of responsibility.

As per the table above the aggregate score (Mean = 3.22) suggests that recognition strategies as currently practiced in the firm were having a considerable outcome on employee performance. Regarding to recognition under intrinsic reward, I get credit for what I do (Mean = 3.28, SD = 0.936), I receive constructive criticism (positive feedback) about my work (Mean = 3.22, SD = 0.916) and The existence of recognition for good work, has given me an opportunity to Perform well (Mean = 3.16, SD = 0.985) important factors that applied in the organization importantly considered in the organization.

4.5 Descriptive Statistics for Employee performance

Employee performance was taken as the dependent variable which was determined by posing several statements to the respondents related to the employee performance in the organization. A Likert scale was used to rate effects this variable's effects on a scale of 5 point within a range of; 1 = strongly disagree representing the lowest scale and 5 = strongly agree representing the highest scale and were analyzed using the mean score. The closer the mean score on each score was to 5, the stronger the agreement was to the statement posed. A score around 2.5 would indicate uncertainty while scores significantly below 2.5 would suggest strong disagreement with the posited statements.

Table 4.5: Employee performance

Statements	Mean	Std. Deviation
I strictly follow the policies and procedures of the bank (for example dressing code, moral and ethical standards, rules of conduct etc.)	3.10	.895
I effectively use resources including time and materials	3.23	1.036
I try my best to avoid lateness and absence from my job	3.22	.945
I receive regular job performance feedback.	3.15	.916
I effectively work with other employees.	3.24	.826
My performance gets better because of working with employees of different work experience	3.40	.859
I receive good performance rates during my Performance evaluation	3.39	.852

Computation using SPSS of the survey, 2022

The study finding shows that in achieving employee performance, My performance gets better because of working with employees of different work experience (Mean = 3.4, SD = 0.859), I receive good performance rates during my performance evaluation (Mean = 3.39, SD = 0.852), I effectively work with other employees (Mean = 3.24, SD = 0.826) and I effectively work with other employees (Mean = 3.23, SD = 1.03) are the most important components of employee performance in the organization. The findings of the study I try my best to avoid lateness and absence from my job (Mean = 3.22, SD = 0.945), I receive regular job performance feedback (Mean = 3.15, SD = 0.916) and I strictly follow the policies and procedures of the bank (for example dressing code, moral and ethical standards, rules of conduct etc.) (Mean = 3.10, SD = 0.895) are also important factor components of employee performance in the organization.

4.6 Summary of descriptive statistics for the variables

As presented in the table below shows the descriptive statistics of payment, benefits, promotions, work environment, responsibility and recognition as the independent variables and the dependent variable of employee performance. The results in the table below show that promotion had the highest mean score of 3.47 followed by

benefit with an overall mean score of 3.45 and the relatively low overall mean score was recorded by responsibility which is 2.77. Regarding to the dependent variables summery statistics shows that employee performance had relatively highest mean score value which is 3.24.

Table 4.6: Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Payments	218	1.17	4.50	2.8983	.75031
Benefit	218	1.00	3.25	3.4564	1.00737
Promotion	218	1.33	5.00	3.4786	.86332
Working	218	1.00	5.00	2.9656	.76838
Responsibility	218	1.00	5.00	2.7737	.88728
Recognition	218	1.00	4.33	3.2202	.68068
Performance	218	1.29	4.57	3.2484	.60811
Valid N (list wise)	218				

Source: Own computation and survey, 2022

4.7 Correlation analysis

Correlation is an analysis that measures the strengths of association between two variables. The value of the correlation coefficient varies between +1 and -1. When the value of the correlation coefficient lies around ± 1 , then it is said to be a perfect degree of association between the two variables. The more the correlation coefficient value goes towards 0, the relationship between the two variables becomes weaker (Cohen& West, 2003). The Pearson's correlation coefficient analysis helped the researcher to better understand whether there was a positive relationship, negative relationship, or no correlation between dependent variable and independent variables. Thus, the strength and direction of relationship between variables was able to be analyzed by the researcher using Pearson correlation coefficient analysis. In addition, the researcher used it to measure whether there was a significant relationship between independent variables and dependent variable. Table below clearly shows that the relationship between two variables will be negligible, low, moderate, substantial, or very strong.

Correlation coefficient(r)	Strength of the correlation
From 0.01 up to 0.09	Negligible association
From 0.10 up to 0.29	Low association
From 0.30 up to 0.49	Moderate association
From 0.50 up to 0.69	Substantial association
From 0.70 and above	Very strong association

Source: Joe W. Kotrlik, J. C. Atherton, A. Williams and M. Khata Jabor. (2011)

Table 4.7: Correlation matrix of dependent and independent variables

Correlations								
		Perfor mance	Paym ents	Benefit	Promot ion	Workin g	Responsib ility	Recognit ion
Perfor mance	R	1	.463**	.333**	.401**	.524**	.543**	.649**
	Sig.		.000	.000	.000	.000	.000	.000
Payme nts	R	.463**	1	.127	.184**	.467**	.483**	.310**
	Sig.	.000		.061	.007	.000	.000	.000
Benefit	R	.333**	.127	1	.611**	.301**	.273**	.273**
	Sig.	.000	.061		.000	.000	.000	.000
Promot ion	R	.401**	.184**	.611**	1	.299**	.256**	.322**
	Sig.	.000	.007	.000		.000	.000	.000
Worki ng	R	.524**	.467**	.301**	.299**	1	.569**	.407**
	Sig.	.000	.000	.000	.000		.000	.000
Respon sibility	R	.543**	.483**	.273**	.256**	.569**	1	.452**
	Sig.	.000	.000	.000	.000	.000		.000
Recog nition	R	.649**	.310**	.273**	.322**	.407**	.452**	1
	Sig.	.000	.000	.000	.000	.000	.000	

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

Source: Own computation and survey, 2022

Table 4.7: demonstrates the correlation analysis generated for all the variables to define correlation coefficients with a two tailed significance test. The identified independent variables contributing to employee performance are payment, benefits, promotions, work environment, responsibility and recognition.

As it can be seen from table 4.7 above, it has been proved that there exists strong positive relation between recognition and the level of employee performance ($r=0.649$, $p<0.05$). This proves that the more tightly the recognition the same level growth in the

level of employee performance will be. Payments has been also shown to have strongest positive relation with the level of employee performance ($r=0.463$, $p<0.05$) showing that the payments increase will result in increase in the level of employee performance. The other factor having strong relation with employee performance is that promotions, work environment, responsibility and benefit factors showing the raise in the level of the factors will have the ability to raise employee performance in the same direction.

4.8 Level of Employee Performance across Education level and Experience

4.8.1 Level of employee performance across education level

A one-way ANOVA between groups analysis of variance was conducted to explore if employee performance varies across level of education. Participants were divided into four groups (4) (Group 1: certificate; Group 2: Diploma; Group 3: first degree and Group 4: second degree and above). Evidence from Table 4.11 indicates a statistical insignificant difference at $p> 0.05$ level for all groups: $F=0.708$, $p = 0.548$. Furthermore, the actual difference between the mean score between the groups is small.

Table 4.8: One-ANOVA Test of job performance varies based on education level

ANOVA						
	Sum of Squares	Df	Mean Square	F	Sig.	
Between Groups	.788	3	.263	.708	.548	
Within Groups	79.459	214	.371			
Total	80.247	217				
Multiple Comparisons , Dependent Variable: Performance						
LSD						
(I) Level of Education of Respondents	(J) Level of Education of Respondents	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					LB	UB
Certificate	Diploma	.32993	.3876	.396	-.4342	1.0941
	1st Degree	.25406	.3549	.475	-.4455	.9536
	2nd Degree and above	.39478	.3684	.285	-.3314	1.1210
Diploma	Certificate	-.32993	.3876	.396	-1.094	.4342
	1st Degree	-.07587	.1694	.655	-.4098	.2581

	2nd Degree and above	.06485	.1962	.741	-.3219	.4516
1st Degree	Certificate	-.25406	.3549	.475	-.9536	.4455
	Diploma	.07587	.1694	.655	-.2581	.4098
	2nd Degree and above	.14072	.1190	.238	-.0939	.3753
2nd Degree and above	Certificate	-.39478	.36844	.285	-1.121	.3314
	Diploma	-.06485	.1962	.741	-.4516	.3219
	1st Degree	-.14072	.1190	.238	-.3753	.0939

Source: Own computation and survey, 2022

Post-hoc comparisons using the LSD test indicated the mean score of all Groups was significantly not different from other Groups since the P value is > 0.05 .

4.1.1 Level of employee performance across work experience

One-way ANOVA between groups analysis of variance was conducted to explore if employee performance varies across experience levels. Participants were divided into different groups. Evidence from Table 4.9 indicates there was not statistical significant difference at $p > 0.05$ level for the four group work experience.

Table 4.9: One-ANOVA Test of job performance varies based on work experience

ANOVA						
	Sum of Squares	Df	Mean Square	F	Sig.	
Between Groups	1.312	3	.437	1.185	.316	
Within Groups	78.935	214	.369			
Total	80.247	217				
Multiple Comparisons, Dependent Variable: Performance						
LSD						
(I) Experience	(J) Experience	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					LB	UB
Less than 2 years	3-4 years	.19056	.11343	.094	-.0330	.4141
	6-8 years	.05547	.12111	.647	-.1833	.2942
	8-10 years	.15796	.13478	.243	-.1077	.4236

3-4 years	Less than 2 years	- .19056	.11343	.094	-.4141	.0330
	6 -8 years	- .13508	.10555	.202	-.3431	.0730
	8 - 10 years	-.0326	.12099	.788	-.2711	.2059
6 -8 years	Less than 2 years	-.0554	.12111	.647	-.2942	.1833
	3-4 years	.13508	.10555	.202	-.0730	.3431
	8 - 10 years	.10249	.12822	.425	-.1502	.3552
8 - 10 years	Less than 2 years	-.1579	.13478	.243	-.4236	.1077
	3-4 years	.03260	.12099	.788	-.2059	.2711
	6 -8 years	-.1024	.12822	.425	-.3552	.1502

Source: Own computation and survey, 2022

Since the sample sizes of the work experience are unequal, the test was used to reveal the differences in the reported performance in employee. Post-hoc comparisons using the LSD test indicated the mean score for one group were not significantly different from other group. Similarly, there was no significant difference between mean score across groups.

4.9 Regression Analysis

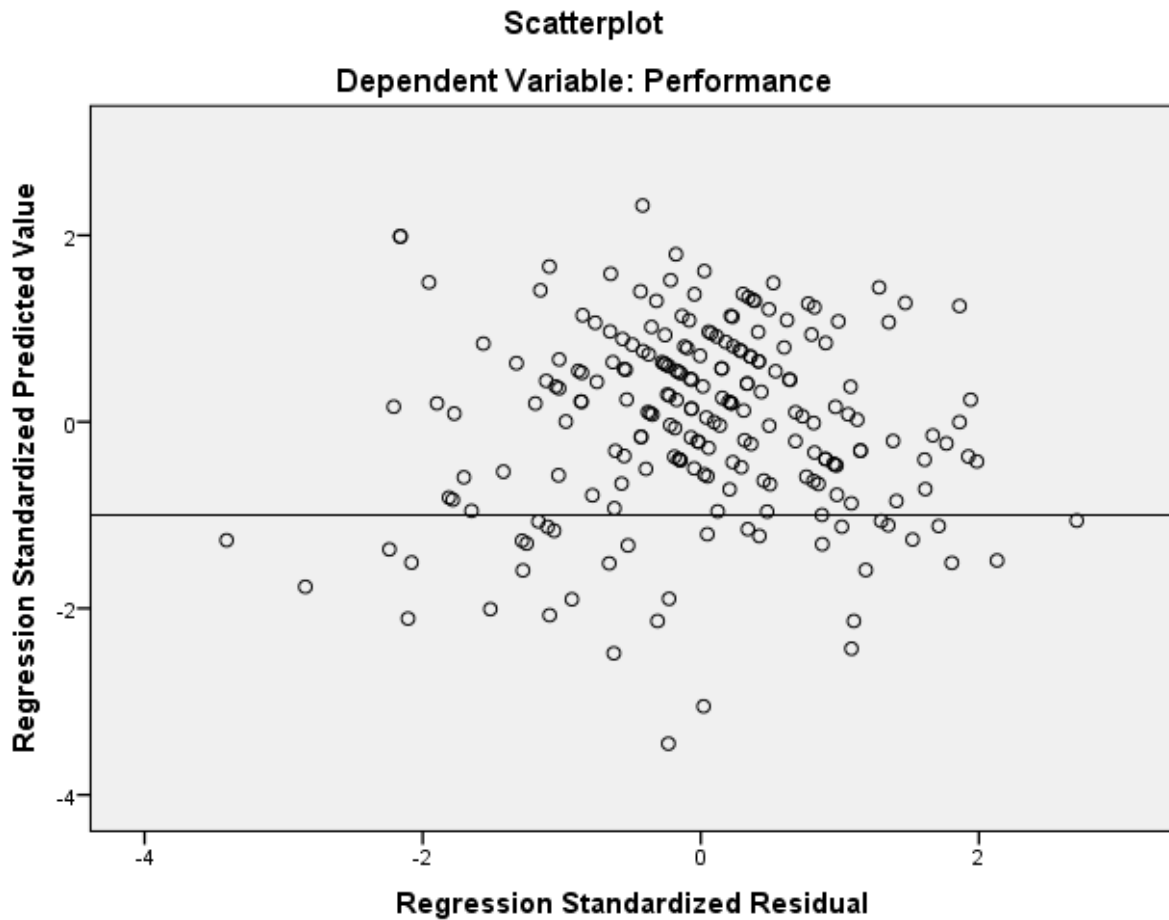
Multiple linear regression analysis is an extension of bivariate regression analysis which allows the simultaneous investigation of the effect of two or more independent variables on a single dependent variable. It allowed researcher to examine which independent variables have the most significant influence on the dependent variable. Thus, to understand the relationship between multiple independent variables and the single dependent variable the study used the regression model summary and the researcher examined the regression coefficients for each independent variable. Therefore, Multiple Regression Analysis was used to factors affecting employee performance.

4.9.1 Diagnostic Tests

Before conducting regression analysis, the researcher performed diagnostic tests. They included normality, linearity, no autocorrelation, multicollinearity, heteroskedasticity.

4.9.1.1 Homoscedasticity Test

Homoscedasticity means that the variance of errors is the same across all levels of the IV. Homoscedasticity of the residuals, in the scatter plots of the residuals the variance of the residuals about predicted dependent variable scores should be the same for all predicted scores. This is the case as the residuals are randomly dispersed around the center line; the test is presented in the following figure.



Source: Own computation, survey 2022

Figure 4.1: Homoscedasticity Test

4.9.1.2 Autocorrelation Test

Autocorrelation means that there is a correlation between the error terms. There are different tests were presented in the literature to check the existence of autocorrelation problem from these Durbin-Watson statistic the most common one. Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. As it can be shown

from the table below the Durbin-Watson statistic value is 2.145 and this value almost approaches 2 therefore, there is no autocorrelation problem in this model.

Table 4.10: Autocorrelation Test

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.754 ^a	.569	.557	.40485	2.145
^a . Predictors: (Constant), Recognition, Benefit, Payments, Working, Promotion, Responsibility					
^b . Dependent Variable: Performance					

Source: Own computation, survey 2022

4.9.1.3 Multicollinearity Test

Tolerance is the indicator of how much of the variability of independent variable is not explained by another independent variable. Thus, if the value is less than 0.1 or VIF: the inverse of tolerance value is greater than 10, it implies possibility of multicollinearity. As the multiple regression result on table 4.11 shows all tolerance values are greater than 0.1 and VIF is less than 10, there is no possibility of multicollinearity among the variables.

Table 4.11: Multicollinearity Test

		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Payments	.704	1.420
	Benefit	.602	1.662
	Promotion	.594	1.684
	Working	.588	1.700
	Responsibility	.567	1.763
	Recognition	.726	1.378

Source: Own computation and survey, 2022

4.9.1.4 Normality Test

Normality test is used to determine whether the error term is zero mean and constant variance in the model. Normality test is one of the additional assumptions of linear classical ordinary least square method. Multiple regressions require the residuals to be normally distributed. Multiple regressions assume that variables have normal distributions. This means that the errors between observed and predicted values (i.e., the residuals of the regression) should be normally distributed. This assumption may be checked by looking at a histogram or a Q-Q-Plot. Normality can also be checked with the decision is obtained by looking at the normal probability plots, that is from the points where the data points form a linear pattern, so that it can be considered as consistent with a normal distribution. The result of the tests is presented in the figure below.

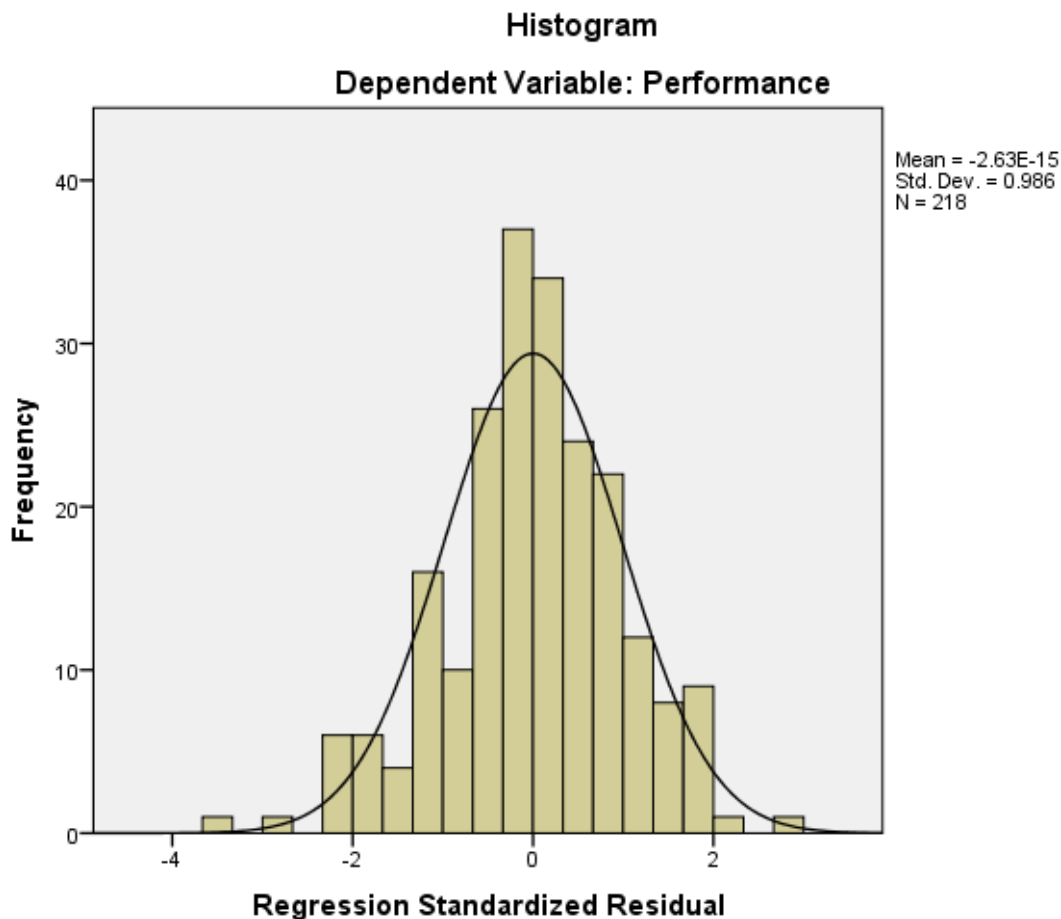


Figure 4.2: Normality Test

4.9.1.5 Test of linearity

Standard multiple regression can only accurately estimate the relationship between dependent and independent variables if the relationships are linear in nature. If the relationship between independent variables (IV) and the dependent variable (DV) is not linear, the results of the regression analysis will under-estimate the true relationship.

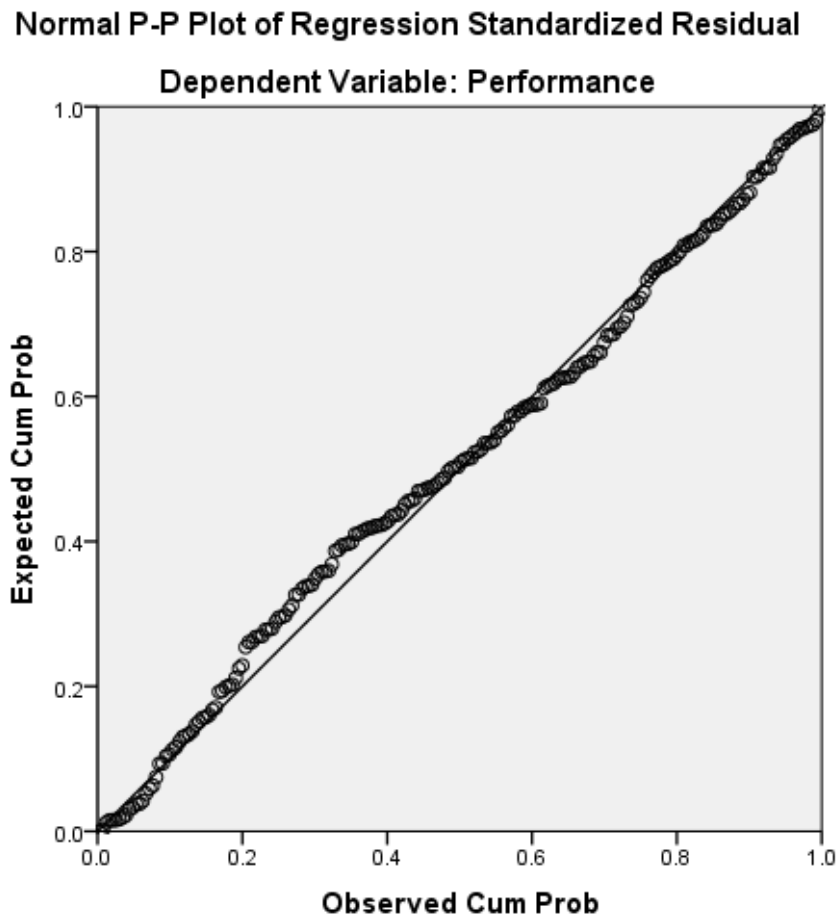


Figure 4.3: Linearity Test

4.9.2 Regression result and discussion

The next part will present the results of the regression output to analyze the factors that affecting employee performance in Oromia International Bank S.C. With the help of multiple linear regression analysis, model summary, ANOVA, and Beta coefficient were determined, and the regression model was developed.

Model Summary

The R value is the correlation coefficient between the dependent variable and the independent variables. According to the model summary in Table 4.12, the value of correlation coefficient (R) for a set of independent variables (payment, benefits, promotions, work environment, responsibility and recognition) with the dependent variable (employee performance) was 0.754. Therefore, there was a high positive correlation between those independent variables and dependent variable. Table 4.12 shows the coefficients of determination is 0.569. Thus, 56.9 % variation in employee performance is explained by the employed explanatory variable i.e. payment, benefits, promotions, work environment, responsibility and recognition. This thus shows that there are other factors that the study did not cover that explain 43.1 % variation in employee performance.

Table 4.12: Model Summary

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 ^a	.569	.557	.40485
^a . Predictors: (Constant), Recognition, Benefit, Payments, Working, Promotion, Responsibility				
^b . Dependent Variable: Employee Performance				

Source: Own computation, survey 2022

ANOVA test

Analysis of variance in this study was used to determine whether the model was a good fit for the data. The F value of the test for the data in Table 4.13 below is 46.43 and the p-value associated with F value .000 which is lower than the alpha value 0.05. In addition, ANOVA table indicates that there was significant impact of the independent variables on the dependent variable and the model applied was significantly suitable to predict the dependent variable.

Table 4.13: ANOVA table

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.663	6	7.611	46.433	.000 ^b
	Residual	34.584	211	.164		
	Total	80.247	217			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Recognition, Benefit, Payments, Working, Promotion, Responsibility						

Source: Own computation, survey 2022

Table 4.14: Regression output

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.638	.168		3.807	.000
	Payments	.134	.044	.166	3.076	.002
	Benefit	.019	.035	.031	.527	.599
	Promotion	.096	.041	.136	2.326	.021
	Working	.111	.047	.140	2.384	.018
	Responsibility	.103	.041	.150	2.494	.013
	Recognition	.375	.047	.420	7.922	.000
a. Dependent Variable: Performance						

Source: Own computation, survey 2022

Standardized Beta Coefficient: It is the coefficients that can explain the relative importance of explanatory variables. These coefficients are obtained from regression analysis after all the explanatory variables are standardized. Table 4.14 above shows the standardized coefficient of recognition is the largest value followed by payments, responsibility, promotion and benefit factor two to six respectively. The larger the standardized coefficient, the higher is the relative effect of the factors to the employee performance.

To know about the effect of independent variable on employee performance multiple regressions was used as a model. It allows us to compare the predictive ability of particular independent variables and to find the best set of variables to predict a dependent variable. As depicted below in Table 4.14, from the unstandardized

coefficient values listed as β , the study constructs the following regression equation: The study determined the relationship between employee performance and independent variables.

Unstandardized Beta Coefficient (β): As it is defined in chapter three, the unstandardized coefficients (β_1 up to β_6) are the coefficients of the estimated regression model. Hence, by including the error term (ϵ), the model for employee performance can be written as;

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \epsilon_i$$

$$\hat{Y}_i = 0.638 + 0.134X_{1i} + 0.096X_{3i} + 0.111X_{4i} + 0.103X_{5i} + 0.375X_{6i}$$

The intercept (β_0) is the point on the vertical axis where the regression line crosses the Y axis. The value of β_0 is 0.638 which means the expected value of employee performance is 0.638 when all the eight explanatory variables assume zero value.

From all factors five variables found to be a statistically significant effect on employee performance. The significant variables are payment, promotions, work environment, responsibility and recognition. But benefits were insignificant effect.

4.10 Discussion of the Regression Result

Payment

Pay must be closely linked to the performance according to high achievers. Employees who do their best want reasonable pay that satisfies their needs. As per the regression output of model one table 4.14 above, the coefficient of payments is positive and statistically significant at 1 percent level of significance. This implies that a one-unit increase in payments and benefits leads to 0.134 unit increase in employee performance being other variables are constant. The findings of this study are in line with the findings of Saeed et al (2013), Dahlavist, & Andreas Matsson (2013), Aktar et al (2012), AbdiMohamud et al (2017) and Bambarandage and Priyankara (2018).

Benefit

As per the regression output table 4.14 above, benefit has caused positive and statistically insignificant effect on job performance. This implies that a one-unit increase in benefit leads to 0.019 unit increase in employee performance being other variables are constant. The finding of this study is inconsistent with the findings of Ali and Ahmed (2011), Saeed et al (2013), Aktar et al (2012) and AbdiMohamud et al (2017). Insignificant effect of benefit to employee performance in the organization may be due to the fact that as compared to other organization OIB pay low benefit to the employee.

Promotion

Promotions are desirable for most employees, only because they work harder to compensate for their “incompetence.” As a result, promotion at regular interval of time has an optimistic approach behind and they are generally given to satisfy the psychological requirements of employees in the organization. The coefficient of promotion is positive and statistically significant at 5 percent level of significance. This implies that a one-unit increase in promotion leads to 0.096 unit increase in employee performance being other variables are constant. Therefore, the study failed to reject the null hypothesis that promotion has a negative effect on employee performance. This means, there is enough evidence to support the positive relationship between employee performance and promotion. However, the relationship is not strong as expected. The finding of this study is consistent with the findings of Ali and Ahmed (2011), Aktar et al (2012), Ahmed (2017), Bambarandage & Priyankara (2018), Myint and War (2020).

Responsibility

As per the regression output of model table 4.14 above, the coefficient of responsibility is 0.103. The coefficient is positive and responsibility has a statistically significant effect on employee performance at 5 percent level of significance. The coefficient of responsibility interpreted as holding constant other explanatory variables when responsibility increased by one unit, the level of employee performance is increased by 0.103 units. Therefore, the study failed to accept the null hypothesis that responsibility has a negative effect on employee performance. This means, there is enough evidence to support the positive relationship between

employee performance and responsibility. The relationship is positive as expected. The findings of this study consistent with the findings of Dahlavist, & Andreas Matsson (2013), Aktar et al (2012), Ahmed (2017), Myint and War (2020).

Recognition

Recognition enhances the level of productivity and performance at job whether it is a first time performance or a repeated action at the job in a progressive way and ultimately reinforces the behavior of employee. As per the regression output of model table 4.14 above, the coefficient of recognition is 0.375. The coefficient is positive and has statistically significant effect on employee performance at one percent level of significance. The coefficient of recognition interpreted as holding constant other explanatory variables when recognition increased by one unit, the level of employee performance is increased by 0.375 units. Therefore, the study failed to accept the null hypothesis that responsibility has a negative effect employee performance. This means, there is enough evidence to support the positive relationship between employee performance and recognition. The relationship is positive as expected. The findings of this study in line with Candi, (2013), Ali and Ahmed (2011), Dahlavist, & Andreas Matsson (2013), Aktar et al (2012), Myint and War (2020).

Work environment

Good work environment and good work conditions can increase employee job satisfaction and an employee organizational commitment. The coefficient of work environment is positive and statistically significant. This implies that a one-unit increase in work environment leads to 0.111 unit increase in employee performance being other variables are constant. Therefore, the study failed to reject the null hypothesis that work environment a negative effect on employee performance. This means, there is enough evidence to support the positive relationship between employee performance and work environment. The relationship is not positive as expected. The findings of this study in line with the findings of Ali and Ahmed (2011), Ahmed (2017), Myint and War (2020), Jung and Kim (2012).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter states the summary of the study findings and results. Based on the key findings and results, conclusions are drawn and recommendations are made. The recommendations include interventions to improve employee performance in Oromia International Bank S.C and give implication for further studies.

5.2 Summary of Findings

This part of the study aims to summarize the findings and results that have emerged from the data analysis presented in chapter four. Related literatures have been reviewed, explanatory & descriptive research design, with descriptive and inferential statistics were also used.

The result's obtained from descriptive statistics showed that the bank provides reward practices in terms of both extrinsic rewards (like payment, benefits, promotion and work environment) and intrinsic rewards (like recognition and responsibility). Accordingly, the overall perception of the respondents indicated that the employees have agreed that the reward practice of the bank in terms of payment ($M=3.89$) and have agreed that benefit packages ($M=3.45$) dimensions spurs employee performance. Moreover, the overall perception of the respondents ($M=3.47$) indicated that the employees have agreed that the reward practice of the bank in terms of promotion dimension, like equal opportunity for promotion spurs employee performance.

Furthermore, the overall perception of the respondents ($M=2.96$) indicated that the employees have somewhat agreed that the reward practice of the bank in terms of working condition dimension, like space, seating arrangement, ventilation, refrigerator, lighting spurs employee performance and the overall perception of the respondents indicated that the employees have somewhat agreed that the reward practice of the bank in terms of recognition ($M=3.22$) and work environment

(M=2.93) dimensions spurs job performance and finally, the overall perception of the respondents (M=2.77) indicated that the employees have slightly agreed that performance is spurred in terms of dimension, like I perform my duty with full autonomy and freedom, employees participate in decisions making that has a positive effect on their work performance and Employees have clear job responsibilities in our organization.

From the correlation section findings showed that since the coefficient of correlation (r) for all independent variables was greater than 0 and there exist a positive and significant relationship in between six factors and employee performance.

The regression analysis results showed that, 56.9 % variation in employee performance is explained by employed explanatory variables i.e. payment, benefit, promotion, working environment, recognition and responsibility. The finding also shows that the reward practice dimension namely recognition, payment, promotion, working environment and responsibility have direct relationship and positive relationship with employee performance, which is also significant since the p-value is less than 0.05. On the other hand, reward practice dimension namely benefit have positive relationship with employee motivation, yet it was insignificant since their p-value were greater than 0.05 respectively which implies that the variable in subject do not bear direct relationship with Employee performance.

Therefore, we can deduce that reward practice has a significant effect on the employee performance at Oromia International Bank S.C.

5.2 Conclusions

The objective of this research was to assess the effect of reward practice on employee performance in Oromia International Bank S.C. and address the research hypothesis listed on chapter two. From the information and the data collected, the researcher has assessed and analyzed all basic research objectives stated in the beginning. From these findings the researcher has drawn the following conclusive remarks.

Employee performance is a critical factor in every organization to be successful. This research work can justify that employee has positive relationship with payment and benefits, promotions, work environment, responsibility and recognition. The multiple regression assumptions like multicollinearity, Autocorrelation, normality and

Heteroskedasticity tests were met accordingly in model. The ANOVA test result in model showed that, the value of R and R² obtained under the model summary part was statistically significant and overall significant. The multiple linear regression analysis of the independent variables and dependent variables shows that in the model out of six independent variables five variables are positively and statistically significant effect on employee performance i.e. payment, promotions, work environment, responsibility and recognition while the other variable has positive and insignificant effect on employee performance i.e., Benefit.

From the above result, the researcher concluded that payment, promotions, work environment, responsibility and recognition are the key reward practices that affect employee performance in Oromia International Bank.

5.2 Recommendation

Reward practices have multi-dimensional effect on the general effectiveness of a company through such as attraction, retention of employees and enhancement of job performance. If rewards offered are not competitive, it will be difficult to recruit staff since potential employees can obtain better rewards from competitors. Existing staff may also be tempted to leave the organization if they are aware that their reward system is uncompetitive.

Therefore, the researcher has forwarded the following recommendations in order to enhance employee's performance;

- ✓ It is strongly advised that Oromia International bank top management considers surveying employees' needs before designing any reward policy.
- ✓ The top management of the Oromia International Bank is strongly advised to give a due attention towards recognition since its most influential factor on the employee performance.
- ✓ Oromia International Bank is also advised to formulate appropriate promotion plans which have to be less fairly and equitably apply for all the employees.
- ✓ Oromia International Bank ought to look for more areas for improvement of the working environment.
- ✓ Employees of the organization will be punctual and stay on work for long time if the company can consider making the working environment good.

- ✓ Oromia International Bank ought to formulate a fair promotion system to increase their employee performance.
- ✓ Since responsibility is a significant variable supervision of employees in the bank ought to be conducted based on the job requirements.

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Appendix



St. Mary's University
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Committed to Excellence

MA Program in Business Administration

Questionnaire to be completed by employees of OIB

Dear Respondents,

My name is Eman Mahamoud, am attending MBA at St. Mary's university. I am conducting a study entitled "The Effect of Reward Practices on Employees Performance: The Case of Oromia International Bank" as a partial fulfillment of the requirements for the Masters of Business Administration. This questionnaire is designed to collect pertinent data to meet the research objectives. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential. Thank you very much for sparing 15 minutes from your precious time to participate in this study.

Thank you in advance for your cooperation!

Directions

No need of writing your name;

Put "✓" mark for your choice

SECTION I: Background Information

1. Sex: Male Female
2. Age : below 30 31- 40 41-50

Above 50

3. Education level

Certificate Diploma 1st Degree 2nd Degree and above

4. Marital status : Single Married Divorced Widowed

5. For how long have you been working in the organization?

Less than 2 years 3-5 years 6-8years 8-10years Over 10 years

SECTION II: Reward practice

The following statements include Likert scale items to measure your perception towards intrinsic and extrinsic reward practices at OIB. Kindly indicate the degree to which you agree with the following statements concerning the reward practice in your organization by using five point Likert Scale (1=strongly disagree, 5= strongly agree).

1 = **strongly disagree** 2 = **Disagree** 3 = **Neutral** 4 = **Agree** 5 = **strongly agree**

Extrinsic rewards

No	A. Payments	1	2	3	4	5
1	My salary is equitable when compared with other banks					
2	My salary payment is satisfactory in relation to what I do					
3	I am satisfied by the bank pay grade					
4	My salary is in accordance with my work experience and increases on fair manner					
5	Salary adjustment or increment is made on reasonable time period					
6	The Pay System of the bank has effect on my job performance					
No	B. Benefit					
1	The bank pay Competent benefit in the Market					
2	Distribution of bonus to all level (both Managerial and Non-Managerial) is fair					
3	Benefit and Bonus payment the bank are matched (Bonus based on Profitability of the bank is Matched)					
4	The benefit system of the bank has effect on my Performance					
	C. Promotion					
1	Everyone has an equal chance to be promoted					
2	The banks promotion policy is clearly communicated to					

	all Employees					
3	The existing Promotion motivate employees for high level of performance					
D. Working Environment						
1	I am provided with adequate facilities and resources to do my job effectively					
2	The working condition like space, seating arrangement, ventilation, refrigerator, lighting etc helped me to do my duties in better way					
3	The bank provides flexible work hours to accommodate my personal needs					
4	All in all I am satisfied with the working condition of the bank					

Intrinsic Rewards

	E. Responsibility	1	2	3	4	5
1	Employees have clear job responsibilities in our organization					
2	Employees participate in decisions making that has a positive effect on their work performance					
3	I perform my duty with full autonomy and freedom					
F. Recognition						
1	I get credit for what I do					
2	I receive constructive criticism (positive feedback) about my work					
3	The existence of recognition for good work, has given me an opportunity to Perform well					

SECTION III: Employee Performance

Here are items that help to measure employee performance. Kindly indicate the degree to which you agree with the following statements concerning your level of performance. Please specify your answer by using five point Likert Scale (1=Strongly disagree, 5= Strongly agree).

1 = strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = strongly agree

No	Items	1	2	3	4	5
1	I strictly follow the policies and procedures of the bank (for example dressing code, moral and ethical standards, rules of conduct etc.)					
2	I effectively use resources including time and materials					
3	I try my best to avoid lateness and absence from my job					
4	I receive regular job performance feedback.					
5	I effectively work with other employees.					
6	My performance gets better because of working with employees of different work experience					
7	I receive good performance rates during my Performance evaluation					