

THE EFFECT OF FINANCIAL INCENTIVE ON EMPLOYEE
PERFORMANCE (IN CASE CBE WOLKITE BRANCH)

A REASERCHE PAPER SUBMITTED TO PARICIAL
FULLFILLMENT OF BA DEGREE IN MANAGEMENT.



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COLLAGE OF BUSSENES AND ECONOMICS

DEPARETEMENT OF MANAEGEMENT

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DECLARATION

I hereby declare that the research entitled on "the effect of financial incentive on employee performance " is my own work, that it has not been submitted for any degree or examination at any other institution of higher learning, and that all references have, to the best of my knowledge, been correctly reported. It is being submitted for BA degree in management at Wolkite University.

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CERTIFICATION

It is certified that this research project titled << The effect of financial incentive on employee performance >> is based on original research work carried out by Bizuayehu Abate under my supervision and that it has not been submitted for the award of any degree in this or any other University.

Name of Advisor:

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Approval sheet of the research

As an examining member of the final research defense program we certify that we have read and evaluated the research prepared by Bizuayehu Abate entitled: “ The effect of Financial incentive on employee performance ”, recommended that it is accepted as fulfilling the research requirements for BA degree in management.

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ABSTRACT

The study conduct on the effect of financial incentive on employee performance in CBE Wolkite branch. the major objective of this study was to assess the effect of financial incentive on employee performance in CBE Wolkite branch. To conduct this study primary data used to identify the effect financial incentive on employee performance in the institution by distributing questioners. Due to population number is very small amount 37. Employee census methods was used because census was reliable and it yields much accurate information to address all the population of the bank. The data would be collected the research makes data analysis by a descriptive method by using different tools like percentage and tabulation; finally, conclusion that financial incentive' s would have direct effect to the better performance achievement of employee of the organization. Wolkite branch CBE should make clear understanding on employees attitude and identify that financial incentive would have direct effect to the better performance achievement of employees of the organization.

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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

An incentive is something that motivates an individual to performance an action. It is something that incites or tends to incite to action or greater effort, as a reward offered for increased productivity performance is the accomplishment of give task measured against known standard of accuracy, completeness, cost and speed. In a contrast, performance is deemed to be the fulfillment of an obligation in a manner that releases the performance is deemed to be the fulfillment of an obligation in manner that releases the o\performer from all abilities under the contract. Employee performance is the job related activates expected of a worker and how well those activities are executed. Many business personal directors assess the employee performance of each staff member on an annual or quarterly basis in order to help them identify suggested areas for improvement. (George and jones, 1999) Financial incentives means the amounts paid to employees either in the form of a lump sum or in the form of monthly payments including all additional income for the individual. Financial incentives are set to satisfy the basic human needs, encouraging workers to do their best of work performance, the recruitment of their capabilities and increases the level of their completeness such as salary, bones allowance, profits sharing and rewards (lawzi:1995)

The focus of financial incentive as a motivational tool to increase performance as well profitable of the issue argument in many literature of management Due to less and negligible payment the poorest living standards of employees in working area among the chief reason behind this study from the management point of view financial incentive is the human resource management function that deals with every type of work activity exchange for performing. Organization task. It is a chief reason why individuals seek employment and it is also the effect with financial incentive. According to ivancevich, (1998) incentive as a pay can affect motivation of employees and it is also as subject that is near and near to employees and employers. To employers, it is both potential powerful influence on employee's behavior and attitude for the purpose of minimizing a significant cost. To employees, it is rewards that encourage them to perform their job in a good manner, which leads them to get additional income.

The attempt of this proposal is to investigate the root causes of the problems, which are there in Wolkite branch CBE. So the aim of the study was to assess the effect of financial incentive on employee performance.

1.2 STATEMENT OF THE PROBLEM

Various forms of incentives have to be effectively developed and used by organizations to attract and motivate employees in achieving organizational goals (Pouliakas, 2010). There have been contrasting results attained by different researchers. Zaidi and Abbas (2011) found that monetary incentives have greater impact on motivating employees. Contrastingly, other researchers stressed that non-monetary incentives brings greater impact on employee's motivation and engagement (Zani, Rahim, Junos, Samanol, Ahmad, Isahak Merican, Saad & Ahmad, 2011; Sonawane, 2008).

A global survey done by McKinsey has found that of employee's view "praise and commendation from their immediate manager" as the more effective motivation method. However, employees prefer performance-based cash bonuses (Freifeld, 2011). In conclusion, many researchers agreed that monetary incentives are useful, but the fair use of non-monetary incentives is the best way in motivating employees (Zani et al., 2011). This shows that there is a change on the most effective way to motivate employees.

Incentive is listed in much management literature as one of the most important tool to motivate employees towards achieving a higher level of accordingly this study would be intend to assess the effect of financial incentive on employee performance. Therefore, the researcher would have conducted the study to fill the gap between the ideal concept of financial incentive on employee performance in the organization and the reality that implemented in Wolkite CBE.

1.3 OBJECTIVE OF THE STUDY

1.4 GENERAL OBJECTIVES

The main objective of the study was to assess the effect of financial incentive on employee's performance.

1.5 SPECIFIC OBJECTIVE

- ❖ .To explain the attitudes of employees towards financial incentive whether it has an impact on their work performance achievement

- ❖ .To evaluate the effect of employee incentive on employee performance wolkite branch CBE.

1.6 RESEARCH QUESTION

- What is the attitude of employees towards the financial incentive whether it has an impact on their work performance achievement?
- What is the effect of employee incentive on employee performance Wolkite CBE?

1.7 SIGNIFICANCE OF THE STUDY

The study was expected to have the following significance

For Wolkite branch CBE institution- it helps the institution to know the effect of financial incentive on employee performance.

It was serving as reference materials for researcher in the future.

It helps the researcher to gain practical research experience for future endeavors.

1.8 SCOPE OF THE STUDY

The study was delimited geographically, methodologically, and conceptually.

Geographically the study was conducted Wolkite branch CBE only because of time and finance constraints. Methodologically the study was use census survey. Conceptually the study was delimited only the effect of financial incentive on employee performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 EMPLOYEE INCENTIVE

An incentive is something that incites or encourages one in to action. Prasad, L.M (1986:273) says that an individual need serves as a driving force on human behavior in the context of these need Management tries to govern the behavior of employees in satisfying their needs. According to Weather (1999) incentives usually meanly, but performance incentives also come in other forms. For example, employees may be given certificates, time-off vacations and other non-cash incentive. Non- monetary incentive encourages or more narrow-focuses effort.

Gallarman, S.W (1968) suggest money can only motivate when the respective payments is large enough relative to a person's income. Employees will try earn money by their higher performance if they feel that additional money earned by their effort is a significant portion of their income. If the money is to act as a motivation, it is necessary to assume the effect of performance on incentive in terms of money.

Incentives may be positive or negative. Weather (1999) positive incentives attract people and they are satisfied when they get them; these are thing like increased pay and prospects of promotion. Employees will try to achieve these. Negative incentive motivates an individual to abstain from doing something. Incentives according to Jonna Ledger Wood, (2000) include any combination of the following factors; monetary rewards, promotions, additional holiday's recognition inform of ceremonies or certificates, additional training and increased bonuses.

2.2 INCENTIVE FOR GOOD EMPLOYEE PERFORMANCE

This is a much discussed and controversial issue. Performance based incentives for various types, which are given regularly for good performance that is clearly measurable. To be effective, incentives need to be of several types. On one axis are a) individual incentives and b) incentives to all members of the organization. All these incentives are useful (micro finance network 5th annual conference) cash incentive to lowest units, the se should be based on the profitability of the branch, paid usually unit profitability up to cap of not less than one month's salary and probably not more than two months' salary. Every who works in the unit should receive cash incentives by pegging the incentive to the salary the particular staff member. Bonuses are the most common form of cash incentive. Bonuses can be accrued and paid out at different intervals, such as monthly, quarterly or annually. Monthly bonus payments are very

common for loan officers. Bonus sizes vary between 10% and 50% of the total pay managers sometimes pay spot bonuses to some employee's members for having made special efforts in their work cases and recognition awards to unit staff unit become profitable the probability incentive lends not to act as a significant incentive but it must be continued as long as the unit remains profitable. At this stage an additional incentive based on a weighted package of targets (such as an increase in loan outstanding increase in profitability) can be given to all staff the unit. (micro finance network 5th annual conference).

In this instance units based cash rewards are provided to the staff. However, the main incentive in this program is the recognition and publicity given to the staff of those unit that have achieved their goals important ceremonies are held certificates are presented personally to each staff member by the president director or managing director of the organization and substantial publicity is given to the ceremonial recognition of staff achievement staff appreciates this.

Region and national winner are given special awards tips, publicity and consideration for promotion. (Micro finance network 5th annual conferences). Cash and recognition awards individuals, these can be effective but they can be dangerous this should give only strictly measurable performance. thus cases where individuals.

Credit savings officers have clearly demarcated are of coverage, they can be rewarded for measurable improvement in loans outstanding decrease, saving etc. according to Jonna ledger wood, (2000) in individual incentive there is a direct effect individual staff members performance and their remuneration are designed precisely in order to enhance individual performance, they also have some potential drawbacks, individual schemes can lead to maximize their own output with the aim of increasing their income such self-interested behavior may negative affect the common goals of the organization there by reducing overall performance of the group or units, refocus on individual income (maximization) may reduce staff members intrinsic motivation, that is one money takes over as the main motivator, other values may be reduced to the dusting gush properly between individual and group performance.

According to weather (1999) as opposed to individual incentive group incentive look at the output of the wole group in order to determine staff reward. The main benefit of such scemes is to foster reward. The main benefit of such schemes is to foster work and cohesiveness with the group or unit. The biggest danger of group incentive scheme is a phenomenon called fire rider

behavior. If the group is large enough it becomes very difficult for the group members to monitor each other and to ensure that every one gives his/her best effort. This creates opportunities for some of the members to shirk their responsibility, reduce their individual efforts without getting punished. If the other group members anticipate such behaviors, there may be noticeable decline in the groups output clearly not a desirable outcome for the organization. So the main task those who operate group incentive schemes is to control and prevent free rider behavior.

2.3 INDIVIDUAL INCENTIVES

Under an individual incentive mechanism, there is a direct between individual performance and remuneration. Such incentives can lead to a rather narrow focus, however, and may reduce staff members intrinsic motivation or could promote unhealthily competition furthermore, in some situation it is hard to distinguish properly between individual and group performance, which makes it difficult to design and implement a schedule that is transparent and fair individual incentive schemes are often used for credit officers. (Malt Homan, 2002)

Malt Holtman (2002) tournaments; non-monetary tournaments could be conducted in such situations. If employees recognized that their performance is monitored and compared regularly they already may increase their performance. To avoid belonging to the losers, to climb up the ladder in the ranking or to defend their position. It may even be possible to find funds in the budget to award cash prizes to the best branches these prizes might be used for improvement in the branch facilities or for a training seminar for branch staff. Thus it is possible to find funds in the budget to award cash prizes to the best branches these prizes might be used for improvements in the branch facilities or for a training seminar for branch staff. Thus it is possible to create a culture of open (but friendly) competition that would have a positive impact on productivity and quality of service. Tournaments are regular or occasional contests between individual staff members or between units provide the organization MIS is capable of collecting the relevant information managers and especially public sector manager can conduct regular rankings with the branch network and thus create a sense of competition between the different branches criteria for rankings include; productivity, outreach (e.g. growth in deposits) customer satisfaction. Etc

Profit sharing: - in profit sharing employees receive annual bonuses that are linked to the company's profitability. The better the MFI does the employees can earn. These schemes increase the sense of identification with the organization, and reduce barrier employees and manager. The connection between an individual's performance and the reward is quite weak.

Individuals are not able to exercise direct control over the generation of the annual profit, and free rider problems invariably arise. For field staff, these obstacles can be partly overcome if profit sharing occurs at the branch levels rather than for the institution as a whole. (Ledgerwood, 2000). Profit sharing plans are another widely used form of cash incentive. Under such plans, employees receive a certain percentage of the annual (or semi-annual) profit. The profit pool allocated to the employees is distributed equally between all employee members, or according to some form of allocation criteria (base salary, individual performance etc). Gain sharing plans are similar to profit sharing plans, but here the basis of the distribution pool is different. Typically, under gain sharing plans employees are entitled to a certain percentage of the productivity gains that are achieved over a given period. Payout intervals are typically shorter than under profit sharing plans. (Ledgerwood, 2000)

Non-financial incentives come in many forms such as gift reward, travels. Some are more tangible than others since they are visible and/or can be compared to financial benefits. Less tangible incentives relate for instance to work flexibility, independence of working recognition of one's work, the possibility of advancement. The value of non-financial material incentives seems to be perceived as a function of psychological processes. There is also a distinction to be made between formal incentives and informal ones. Formal ones are for instance salary scales and also represent channels reaping personal benefits through corrupt practice or patronage. (Houston; 2000) 'It is also having the additional advantage that workers would be interested in societies with moral obligations to do a good job. It is akin to localization informal accountability relations. A cautioner notes, however, is that local environments also can be fragmented and tying service providers to their kin can work at the expense of others. Where it is possible to monitor actual performance, contract type arrangements and the use of completion in the bidding process have proven useful. (Hongoro, 2002)

Incentive system is an important part of organizational motivation and is central to helping diagnosticians understand the forces that drive the organization. Organizational incentive refers to both the reason for staff to join organization, and the way organization rewards and punishes its employees. Incentive system can encourage or discourage employee and work groups engage in their work motivated efficient and productive, an organization success can depend on its ability create the conditions and system (formal and informal) entice the best people to work

there. Also a good incentive system encourages employees to the productive and creative foster loyalty among those who are most productive, and stimulate innovation. Incentive system resides with organization, their structure, rule, human resource management opportunities, internal benefits rewards and sanctions etc. whether based on perception or individuals and thus the organization over all. (Hongoro, 2002)

2.4 TEAM BASED INCENTIVES

Group incentives schemes are intended to foster staff cohesion, cooperation and team work among the most important drawbacks of such schemes is the free riding effect. If the pay out of the individual depends on performance of the whole group, there is a huge temptation to reduce the individual contribution group incentive shame are often used for branch-based incentive such as saving mobilization. (Robert peck christe, 2000)

2.5 THE EFFECTS OF INCENTIVE PLANS

Sociological effect: - incentive assemble employee in to various group serving as group motivators. Group incentive plans encourage employee to be acknowledge as significant partners of a team. The team work tends to discourage marginal the performance by any member who may be enticed to be aberrant. It also eases individual's enmity. **Economic effect:** - great productivity come from incentive plans will lead to lower connectives cost, increased purchasing power, and improved living standard of the employee's incentives also encourage the employees to offer suggestion for improvement, discover different tools methods and equipment for more efficient operations to increase productivity and profitability. **Effect on employees:** - employees on incentive plans provide greater attention against interference or stoppage cause by faulty equipment, material shortage lead to un health industrial relations. **Effect on cost reeducation:** - the design of incentive plans must allow for changing technologies and focus on factors of production and not just labor alone. It should not ignore opportunities for cost reduction in areas such as efficient utilization of materials, supplies and cycle time. (Raj Kumar, 1996).

2.6 EMPLOYEE PERFORMANCE

Performance is an attribute that is perceived differently by different people. There is single definition of the term performance acceptable to all people the following conservational have however been put across by a number of scholars. Geography and jones (1999) looked at performance as an evaluation of the result of a person behavior. It involved determing how well

or poorly person has accomplished a task or done a job. Armstrong, (1995) stated that there are different views on what performance is a record of outcomes achieved, is a record of a person's accomplishment; he cited Bernardine (1995) who stated that performance should be defined as the outcome of an employee's work because they provide the strongest linkage to strategic goals of the organization. Decezo and Robbins on the other hand and stated that "employee's performance we see when they are productive in terms of effectiveness (time frame) and efficiency input consumed out achieve"

According to Torrington and Hall (1998), the expected performance is a shared view between employees and managers, while focusing on specific objectives, targets and performance expectations and enable them to focus on priorities and organization should plan performance like any other appropriate resources. Currie, (2001) states that HRM is based on the notion that there is a strong effect human work performance and organizational success. People are regarded as a resource in which organization invest, managers expect higher returns from the work performance and aim to achieve the objectives through employee's knowledge and skills.

In addition, Brays and Rue (2000) analyzed that performance refers to degree of the tasks which make an employee's job... in measured terms of results. When employees are kept happy by the management, they automatically become good performers. "employees are informed of the standard performance and behavior they are expected to achieve" when they are not met, staff is told where they failed and are given guidance and opportunities to improve" (HRM Annual, 2004:77)

According to Cook (2000) performance standards lead to development in employee's performance in employee performance example of politeness courteous in service delivery as qualitative and quantitative as target setting. Employee performance indicators should be part of the running of the organization to insure consistency, and employee should be given opportunity to set up their own performance indicators as a basis of service delivery. Robbins (1998) also states that employee's performance is enhanced when there is a high ability job fit because jobs make differing demands on people and differ in abilities they process.

Armstrong (1996) argued that measuring performance is a key aspect of performance management implying that performance has to be measured as to be improved performance measure that related to results and data will only work if they are delivered from clear main tasks that focus on end results and providing whether or not the intended result has been achieved.

Incentives are factors created by manager to encourage workers to performance task (Blanket and Alter, 1997)

Financial incentive, due to its various senses and nature has been a major cause of disagreement among scholars, organization employees, and countries in fact, incentive was listed as one of the six contemporary issues in human resources management (French 1998). Financial incentives its purpose, importance and nature being considered, in incentives among organization communities, professional, and labor union have remained high since the beginning of the nineteenth century (Daft, 1997).

High performance requires much more motivation ability adequate equipment good physical working condition, effective leadership management health, safety another condition that help to raise performance level. But employees' motivation to work harder and better is obviously an important factor. A number of study indicate that if any is tied to performance the employees produce a higher quality and quantity of work (Lancevich, 1998). An alternative approach to motivation and compensation ties monetary incentives to important performance contribution. This may include bonus profit sharing and related schemes applied to individual, group or both.

Bonus pay plan provide bonuses to employees based on the accomplishment of performance targets or some other extra ordinary contribution such as ideas for a work improvement bonuses have been most common at the executive level, but they are now being used more extensively in many setting, profit earned by the organization during a standard performance period (Schermerhorn, 1996).

Moreover, its contribution to worker higher level of performance has been an issue argument among educators. There are also research studies that are in favor of financial incentive contribution to employee higher level of performance. The data in most the studies supported the idea that regularly provided monetary incentive contributions to higher level of performance besides more recent research on monetary incentive have offered a clear support of the view that financial incentive enhance higher level performance achievement if it is regular provided incentives, (1997)

So far, attempts have been made to show controversies on the effect of financial incentive on the level of employees' performance and organization practice of incentive that would promote or hinder its value for employee's performance level. In motivation employee most of the focus has been on money. For Aristotle though Frederick W. Taylor, the father of scientific management

theory, philosophers, scientists and management believed that money was the only thing that motivates. On the other hand, bringing with the 1930's sociologists other human relation theorists theorized that all kind of cognitive and cognitive processes also affect the relationship between pay and motivation Maslow's hierarch of needs takes the form of a pyramid in ascending order; the need are physiological safety, social esteem and self-earning direct financial incentive to buy shelter and do things like provide for retirement. (Ivancevich 1998) Concerning compensation human resource seculars due an emphasis its objective, objective of the compensation function is to create a system of rewards that is equitable to the employer and employees alike. The desired outcome is an employee who is attracted to the work and motivated to the work and motivated to do a good job employer, Patton suggested that the compensation polies. There are seven criteria effectiveness.

2.7 COMPENSATION SHOULD BE

Adequate minimal governmental, union and managerial level should be met. **Equitable:** each person should be paid fairly line with his/her effort. **Balanced:** pay benefits, and other rewards should be providing a reasonable total reward package. Cost effective pay should not be excessive considering what the organizations afford to pay. **Secure:** pay should be enough to help an employee feel secure and aid him/her in satisfying. Incentive proving: pay should motivate effective productive work. Acceptable to the employees: the employee should understand the pay system and fell it is reasonable system for the organization and himself/herself (Jon M.Ivanvevich, 1998).

2.8 MEASUREMENT OF EMPLOYEE PERFORMANCE

Wolkite branch CBE employee performance indicators to measure performance of employees. Gomes et al (2003) among performance indicators gives behavioral appraisals that focus on assessing worker's behaviors and these include working well co-workers and coming to meetings on time. In an attribution model (lihan 1981), poor performance of employees can be seen in the form of absent, tardy, low output, missing deadline, being disruptive and compliance. The performance of employees can further be determined by the level of job satisfaction. According to keith (1985), job satisfaction is related to a number of employee variables such as turnovers, shows, and absences. Keith continues to assert that if we reward are seen as inadequate for one's level of performance, dissatisfaction tends to occur and this is manifested tends to occur and this is manifested in the above mentioned variables.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

The research design (method) selected for the study was descriptive survey method. Because it tries to describe and explain the data for the purpose of describing the nature of existing condition.

3.2 TARGET POPULATION

The target populations of the study are total employee of the commercial bank of Ethiopia in Wolkite branch. There are 37 Target populations in the organization.

3.3 SOURCE OF THE DATA

To collect relevant data for the study, primary source of data is utilize Primary source data is gathered from the distribute questionnaires for the employee of the organization

3.4 METHOD OF DATA COLLECTION

The data need for the study is primary data. The primary data is collects by distribution of questionnaires to the employees of the organization. The questionnaires contain both open and close ended. The data collection instrument would be question airy. It's must that collecting all the necessary data analysis.

3.5 SAMPLE SIZE

The sample size of the population is census due to the small number of the population of the organization the study conduct of the population on the sample size entire population. The researcher believes that utilization of the population would help to generate the necessary information for the study.

3.6 SAMPLING TECHNIQUE

The researcher is use census survey technique in order to investigate and conduct all entire population of the organization.

3.7 METHODS OF DATA ANALYSIS

The researcher would use descriptive analysis methods in order to analyze the data that had been collected through questionnaires. Because the disruptive data analysis method helps to reduce the collected data into summery format and row data into a form that makes them easy to understand.

CHAPTER FOUR: RESULTS AND DISCUSSION

These sections introduce some of the key findings of study concerning to CBE in wolkite branch. As stated on the objectives of study, the main aim of the study was assessing the the effect of financial incentive on employee performance and to recommend the identified problems. So as to get perfect information, the researcher collected data by distributing questionnaires for 37 operators. (19) Questionnaires were distributed CBE in wolkite branch operator. All questionnaires were not fulfilled and returned to the researcher. From total population only 34 respondents were returned. Generally, based on the response, each of the questionnaires was analyzed bellow.

Table 4. 1: Categories of the respondent according to Sex

Item	Numbers	Percentages
Male	28	82%
Female	6	18%
Total	34	100%

(source; own survey 2019)

The analysis indicates that 82% of the respondents were male and the remaining 18% of the respondent were females.

Table 4. 2: Categories of the respondent according using Age

Item	Numbers	Percentages
18-25	12	36%
26-33	18	52%
34-41	4	12%
42-49	0	0%
Total	34	100%

(source; own survey 2019)

The analysis indicates that 36% of the respondent's age lies between 18-25 years 52% of the respondent's age lies between 26-33 years 12% of the respondent's age lies between 34-41 years.

Table 4.3: Respondent or participant Level of educational

Item	Numbers	Percentages
12 th completed or bellow	0	0%
2nd degree	15	45%
1 st degree	19	55%
Total	34	100%

(source;own survey 2019)

From the above table three can observe that most of the employees were not attained professional which is required for the job they do. From this we can say that majority of them have not attained professional training and as a result their performance level can be also influenced.

Table 4.4: Service year (work experience)

Item	Numbers(respondent)	Percentages
0-3 year	5	15%
3-7year	13	39%
Above 7 year	16	46%
Total	34	100%

(source ; own survey 2019)

Observe that Wolkite branch CBE area workers of the organization have good work experience on their job. Also this organization can have potential advantage of using good experience of its workers.

Table 4.5: Categories of the Respondent using Current salary they get

Item (birr)	Number of respondents	Percentages
Less than 2000	1	3%
2000-3500	7	21%
3500-4500	15	45%
4501-5500	11	31%
Total	34	100%

. (source; own survey)

From the above data one can observe that majority of sample respondents (i.e. 21%) get salary between 2000-3500 birr(3%)of employees paid less than 2000 birr which is not sufficient to privies for the own and their families need. The remaining 76% of respondents paid relatively better than others. It is one of the chief reasons people seek employment, basic salary is a type of reward individual receive in exchange for performing organizational task pay is the means by which they provide for their own and their families need. And it also one of the main method used by organizations to attract employees and motivate them toward more effective performance. In addition to this from the collected data everyone can understand that worker on the area most crucial and back bone of the organization so, the above result indicated that the organization has not considered very important criteria for its compensation to be paid effective.

Table 4.6: Perception on Employee’s satisfaction with their current salary

Item	No of respondent	Percentage
Satisfied	11	33%
Not satisfied	20	58%
No response	3	9%
Total	34	100%

(source; own survey 2019)

To assess the level of satisfaction with their basic salary the respondents were asked to whether they were satisfied or not. The result shows that more than half of the operators were unsatisfied with their salary (i.e. 58%) of the respondents. Only 11 respondents i.e. 33% of the respondents were satisfied with their basic salary. The remaining 3 (i.e. 9%) of the respondents no response to the question. Therefore it is better for the company to focus on the employees financial incentives because most of the operations were not satisfied with salary may be affect the organization performance.

Table 4.7: The impact of having compensation on the job

Items	Respondents in number	Response in %
Belongingness feeling	7	21%
Feeling of being motivated	17	49%
Feeling of happiness and satisfaction	10	30%
Total	34	100%

(source; own survey 2019)

To examine the attitude of the respondent towards the importance of having compensation on their work the employee asked to explain the kind of feeling they have when they are provided with compensation. The result showed that 49% of the sample respondent responded that feeling of being motivated and only 7(21%) employees were responded that feeling of belongingness. From the above result one can possible say that compensation and not motivation go hand in hand since majority of the respondent i.e. 30% responded that having compensation would have the impact of feeling being motivated to achieve better performance level. Pay and performance level have a direct effect.

Table 4.8: Employees respond for different kinds of incentives and their percentage

Item	Number of respondent	Percentage
Financial	25	73%
Non- financial	9	27%
Total	34	100%

(source; own survey 2019)

From the above table 73% of respondents believe that financial incentives is very important and preferred by them and only 9 employees (i.e. 27%) believe that non-financial incentives is essential and preferred by them while they are working in the organization. As the result summarized above most of the employees in the organization prefer and consider important financial incentive than non-financial incentives and few respondents have preference of non-financial incentives.

Table 4.9: Impact of having financial incentive

Item	Numbers	Percentages
Feeling of being motivated for better performance	19	55%
Belongingness feeling	5	15%
Work became more attractive to do	10	30%
Total	34	100%

(source; own survey 2019)

As can be observed from table 9 the majority of respondent (55%) have responded of being motivated for better performance would be the having financial incentives and only 15% of

respondent responded that the belongingness feeling be the impact for having financial incentive and the rest 30% of respondents said that work became attractive to do if they would provide with financial incentives.

Table 4.10: Chance of advancement

ITEM	Numbers	Percentages
Yes	9	27%
No	25	73%
Total	34	100%

(source;own survey 2019)

From the above result one can observed that the organization is not providing employees with adequate non-financial reward. When further asked the subject they were provided with a chance for advancement only 9respondent (i.e. 27%) of subject said that the organization have motivated for better performance would be the having financial incentives and only 15% of respondent responded that the belongingness feeling be the impact for having financial incentive and the rest 30% of respondents said that work became attractive to do if they would provide with financial incentives.

Table 4.11: Chance of advancement

ITEM	Numbers	Percentages
Yes	9	27%
No	25	73%
Total	34	100%

. (source; own survey 2019)

From the above result one can observed that the organization is not providing employees with adequate non-financial reward. When further asked the subject they were provided with a chance for advancement only 9respondent (i.e. 27%) of subject said that the organization have provided a chance for advancement, the remaining73% of the subject were not provided with a chance for advancement by the organization.

Table 4.12: Job satisfaction

Item	Numbers	Percentages
Yes	7	21%

No	17	49%
Neutral	10	30%
Total	34	100%

(source; own survey 2019)

Data in table 11 revealed that 49% respondent dissatisfied, where as 21% sample employee were satisfied on the job and the rest 30% of respondents were neutral. Out of 34 respondents who were not satisfied on the job 49% of respondents believed that having unfair payment from the organization was the reason for not having job satisfaction, 49% have no job satisfaction.

Table 4.13: Employee's response for incentives beside their basic salary

Item	Numbers	Percentage
Yes	19	55%
No	15	45%
Total	34	100%

(source;own survey 2019)

In attempt to find out whether the organization gives its employees incentives besides their basic salary, only 19(55%) respondents responded and the remaining 15 (i. e. 45%) of the employees responded no. this indicat that the organization would not use compensation system to motivate its operator.

Table 4.14: How incentive provided by the organization

Item	Numbers	Percentages
Sometime	20	60%
In some low interval	14	40%
Total	34	100%

(Source; own survey 2019)

From the above table one can understand that the level of giving incentive system of the organization is very low that uses incentive method sometimes as per the finding show that 20(i.e. 60%) of the respondents responded that in some low interval and sometime responded by respondents of the organization. This indicates us that the level of incentive (40%) were very low and it might reduce the willingness of the employees toward the organizational operators.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1. SUMMARY OF FINDING

As the research of this study showed, the subject area of the study (CBE in Wolkite branch) had a very low both financial and non-financial incentive plan to reward employee for better performance they achieved. However, attempts have been made to investigate what would be the effect of financial incentive on employee's performance. The result of the questionnaire survey shows that:

Above half of the respondent are not satisfied in their basic salary they get from the organization.

As the result/finding indicated half of employee's respondents are dissatisfied in their basic salary because of it is not comparable to the efforts they put in to the job and for they have long work experience. Nearly half of the respondent was not satisfied due to that the basic salary they get were not enough for them to live with and the rest of the respondents were not satisfied with their basic salary they receive because of both the above reason.

Beside the basic salary employees of the organization are a provided with some indirect compensation of medical expensive coverage and insurance policy. But other type of compensation like bonus, commissions, incentive and the like which are very important and attractive to motivates employees to achieve higher level of performance are not included in the compensation system of the organization. Therefore, the result the study revealed that CBE in Wolkite has not provided employees with adequate indirect compensation to motivate employees toward better performance achievement.

Most of respondent have the attitude of feeling of being motivated toward the impact of having compensation on the job. Some of the respondent said that having compensation are the impact of belongings feeling and nearly half of the respondent said having compensation have the impact of feeling of happiness and satisfaction. A great majority of respondent supported on financial incentive plan and very few of them were interested non-financial incentive plan.

Most of the respondent has not job satisfaction because of the reason of lower payment and low advancement.

The majority of the respondent who preferred financial incentive believes that having financial incentive will have an impact of feeling of being motivated to strengthen on their work. From this one can see that financial incentive will have direct effect with to the improvement of performance of employees in the organization.

5.2. CONCLUSION

Based on the result of the questionnaires survey the research reached the following conclusion:

The finding of the study appears to support incentive enhance the achievement of employees if it can be provided by the organization. In this study attempts have been made to invest impact on their work. since there is a very low incentive plan in the organization it was difficult to see precious trends but as per the finding of the study 85% of the sample responded are prefer to be provided with financial incentive than non-financial incentive 85% of the respondents majority of them responded that financial have impact of feeling being motivated on their work. on the bases of the above result the study reached conclusion that financial incentives would have direct effect to the better performance achievement of employee of the organization.

Since there is no financial incentive plan in the organization in which this study was conducted it was difficult to investigate the level of significant that financial incentive had affected the employee's performance level. Finding of the showed that the provision of non-financial compensation is also in adequate in the organization since only medical expense coverage and insurance policy are available in the organization.

For these reason it can be concluded that present compensation system of the organization have strong deficiency and to improve the deficiency the following are recommended.

5.3. RECOMMENDATION

Based on above conclusion, the following recommendation was made to investigate the effect of financial incentives on employee performance in Wolkite branch CBE. Wolkite branch CBE finance should improve or update the incentive plan.so as to enhance the achievement of employee's performance in the organization.

Wolkite branch CBE should attempt to know the attitude of employees towards financial incentives and impact their work. Because employee's perception about organizations policy affects their success. Therefore, Wolkite branch CBE should make clear understanding on employee's attitude and identify that, financial incentives would have direct effect to the better performance achievement of employees of the organization.The organization should give priority to the financial incentives before going to non-financial incentives, because financial incentives give motivation their work (direct effect to the better performance achievement).Wolkite branch CBE should extend (improve) its present compensation system. Because compensation would have the impact of feeling being motivated to achieve better performance level.

Appendix I
Wolkite University
College of Business and Economics
Department of Management

Dear respondent:

The purpose of this questionnaire is to collect data for research on the effect of financial incentive on employee performance in case of CBE IN Wolkite branch . Your genuine response

For the following question is extremely important for the successful completion of work the information provides used only for academic purpose and will be kept confidential.

Part: Personal Information: sex: - male female

Age 18-25 26-30 34-41 42-49 50 and above

Educational back ground: - 12th completer or below Diploma 1st Degree
2nd Degree and above

Year of experience 0-3 3 -7 above 7

Part: Question related to the study

How much is your basic salary: - A. less than 2000

B. 2000-3500 C. 3500-4500 D. 4501-5500

E. above 5500

6. Are you satisfied with your income: - Yes No

7. If no answer to number 6 question. Why? (Please tell us) _____

8. Do you get kind incentive benefits besides your basic salary?

Yes No

9. If “yes” to no 8 what kind of benefits you get from the organization

A. bonus B. commission

C. incentives pay D. medical expense coverage

E. insurance

F. other (please tell us)

10. If yes for number seven question. How it is providing by the organization

A. sometimes B/ frequently is some low interval

C. regularly D. other method please tells us

11. What is the impact of having benefits or incentives on your work?

A. belonging feeling B. feeling of being motivated

C. feeling happiness and satisfaction

D. other please tell us

12. Does the reward you receive are satisfactory for the amount of effort you out in to the job

Yes No

13. Does your work provide you a reward for for a performance you achieved Yes No

14. if yes, which kind i) financial ii) non-financial iii) both

15. if ii, what kind is it? Praise self-system recognition

16. Do you support payment system which is based on the effort an employee put in to the job?
Do you support an incentive plan?)

17. Which kind incentive system do you think very important while you working in your organization?

A. financial incentive B. non-financial incentive

18. what do you think would be impact of having financial incentive on your work? (Please tell us)

19. Does the rewards you receive are fair when compared to what organization employees receive for same job? Yes No

I don't know

20. Does your organization consistent with each employee in providing the same rewards for condition satisfactory? Yes No

21. Are the working condition satisfactory? Yes No

22. Does your work provide you recognition? Yes No

Does your work provide you a chance for advancement?

Yes No

23. If "Yes" for where do you think it comes? (Please tell us)

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