

## Impact of Monetary and Non-Monetary Rewards on Employee Motivation

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### Abstract

### Original Research Article

This study aims to examine the impact of monetary and non-monetary rewards on the motivation level of employees. In order to fulfil the requirement, a questionnaire prepared in Google form was circulated. The questionnaire consisted of two sections. The first section pertains to determining the demographic factors of the respondents, and the second section is related to identifying and evaluating the reward preferences of the respondents. The conclusion of the study was that employees are likely to perform more efficiently if they receive monetary rewards for their efforts. However, the benefits achieved through non-monetary rewards are also significant.

**Keywords:** Rewards, Monetary, Non-monetary, Motivation, Performance.

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## INTRODUCTION

The essence of the human resource department is to improve the job satisfaction of their employees by using various tools and techniques. The higher the job satisfaction, the higher the performance. In every organization, employees expect different rewards in return for their performance and efforts. Therefore, it becomes important for the human resource department to offer rewards to the employees in order to retain them in the organisation while also maintaining good performance.

The rewards offered could be monetary or non-monetary in nature. Monetary rewards are generally referred to as extrinsic rewards, whereas non-monetary rewards are called intrinsic rewards. A few examples of monetary rewards are basic pay, incentives, fringe benefits, and bonuses. The non-monetary rewards consist of recognition, autonomy, decision-making, and employee participation.

The employees are likely to develop a positive attitude towards their work if they are given adequate rewards. Consequently, the performance of the employees tends to improve, which in turn enhances the overall performance of the organization. On the other hand, an organisation will face difficulty in achieving its desired objectives and performance in the case of a lack of a proper reward system.

It is believed that employees at lower levels of management are more likely to be motivated by monetary rewards such as increased pay or bonuses.

Whereas, the employees holding higher positions in the organisation get motivated by non-monetary rewards such as recognition and growth opportunities.

Therefore, it becomes important to study the impact of monetary and non-monetary rewards on employees' motivation and performance.

## LITERATURE REVIEW

Money tends to make people realize achievement, status, freedom, power, and control. Due to this, Kirkcaldy and Furnham (1993) suggested that money works as a great motivator for employees [1].

The study conducted by Agarwal (2010) stated that the most significant factor in motivating employees is money. Out of all the perquisites offered to them, money holds the highest potential to motivate the employees to perform better. Non-monetary rewards do play an important role in stimulating employees. However, employees tend to give preference to monetary rewards over non-monetary rewards after reaching a certain stage in their career [2].

Huang *et al.*, (2006) conducted a study on a Taiwanese construction firm with the objective of evaluating the impact of various factors on job retention. It was done by collecting data from 180 employees. The study concluded that the factors leading to maximum job retention are firm-based, such as the wages offered to the employees [3].

In his study, Lawler (1969) made the observation that the level of employee motivation can be affected by job design. In addition, recognition also plays a very prominent role in motivating employees. Hence, the study states that non-monetary rewards are capable of motivating employees in the long term, whereas monetary rewards motivate employees in the short term [4].

According to Hijazi *et al.*, (2007), intrinsic rewards such as performance recognition and job fulfilment influence employee motivation significantly. As a result, an organisation is most likely to face adverse effects on performance and employee retention if the non-monetary rewards are overlooked [5].

Rynes *et al.*, (2004) realised a need to determine the significance of pay in employee motivation. The focus of the study was to identify the discrepancies between an employee's opinion and their actions pertaining to pay. The situations were analysed closely to check which circumstances are the ones under which an employee tends to give more importance to pay as compared to those where pay does not play a very crucial role. It was found that pay does not work as a motivating force for all the employees and in all situations [6].

Inke Mathauer and Ingo Imhoff (2006) suggested that an organisation must understand the preferences of its employees regarding rewards. It will help to gain a competitive advantage. The employees are motivated through monetary as well as non-monetary rewards. Therefore, intrinsic rewards must be given adequate consideration along with extrinsic rewards because the employees will not be sufficiently motivated in the absence of intrinsic rewards [7].

There is a lot of research and studies pertaining to the types of rewards, reward systems, and their impacts on employee motivation. Some of them conclude that monetary rewards are the sole motivators, whereas others suggest that non-monetary rewards hold more potential to motivate the employees. The thesis of Abendschein (2004) stated that an organisation with an efficient reward and recognition system has the capability to attract and retain highly skilled employees irrespective of the nature of the reward [8].

## DATA ANALYSIS

### Objectives

The objectives of the study are mentioned below:

Objective 1: To study the demography of the respondents.

Objective 2: To find out the type of reward that enhances employee motivation.

Objective 3: To study the relation between job position and best monetary reward.

Objective 4: To check association between frequency of rewards and satisfaction with reward system.

Objective 5: To understand the frequency of rewards and achievement of goals by organization.

Objective 6: To study the relation between job position and type of reward.

## METHODOLOGY

The methodology followed for this research is random purposive sampling, wherein a Google form was circulated via the most preferred social media platform, i.e., Whatsapp. The Google form included questions intended to determine the preferences for rewards and the psychological impact of rewards.

## RESULTS AND INTERPRETATION

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	59	59.0	59.0	59.0
	Male	41	41.0	41.0	100.0
	Total	100	100.0	100.0	

Table 1.1

Objective 1: To study the demography of the respondents such as gender, age, and qualification.

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	84	84.0	84.0	84.0
	26-40	16	16.0	16.0	100.0
	Total	100	100.0	100.0	

Table 1.2

The total number of responses collected is 100. Out of those, 59 responses are from female respondents, whereas 41 are from male respondents. Alternatively, 59% of responses came from females and the remaining 41% from males.

The data collected have majority responses, that is 84%, from the people between age group 18-25 which is followed by the remaining responses, that is 16%, from people between age group 26-40.

Qualification		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Graduation	42	42.0	42.0	42.0
	Post graduation	47	47.0	47.0	89.0
	XII	11	11.0	11.0	100.0
	Total	100	100.0	100.0	

Table 1.3

Table 1.3 shows that most of the collected responses are from people who have done their post-graduation, followed by responses from people who have completed graduation and XII. The proportion of

responses from post-graduates, graduates, and XII passed is 47%, 42%, and 11%, respectively.

Objective 2: To find out the type of reward that enhances employee motivation.

Type of reward enhancing employee motivation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monetary	88	88.0	88.0	88.0
	Non-monetary	12	12.0	12.0	12.0
	Total	100	100.0	100.0	

Table 2

As per the gathered data, 88% of respondents believe that the employee’s motivation is enhanced with monetary rewards, whereas the remaining 12% think

that non-monetary rewards work better to enhance the motivation of employees.

Objective 3: To study the relation between job position and preferred monetary reward.

Job position*Preferred Monetary Reward Crosstabulation						
Count		Preferred Monetary Reward				Total
		Bonuses	Commission	Pay increase	Profit Sharing	
Job position	Administrative	1	0	4	0	5
	Executive	3	0	9	3	15
	Manager	1	0	5	2	8
	Other	14	4	42	12	72
Total		19	4	60	17	100

Table 3

The majority of the responses, 72 in total, came from employees in positions other than administrative, executive, and manager. Out of 72 respondents, 42 respondents prefer pay increase followed by 14, 12, and 4 respondents preferring bonuses, profit sharing, and commission respectively.

respondents holding managerial positions prefer pay increases above any other type of monetary reward.

Table 3 shows that 4 out of 5 respondents holding administrative positions, 9 out of 15 respondents working as executives, and 5 out of 8

In accordance with the collected data, the most preferred monetary reward is pay increase because most of the respondents, that is 60 out of 100, prefer it, whereas only 19, 17, and 4 respondents have preference for bonuses, profit sharing, and commissions, respectively.

<b>Chi-Square Tests</b>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.362 <sup>a</sup>	9	.948
Likelihood Ratio	5.234	9	.813
N of Valid Cases	100		

a. 12 cells (75.0%) have expected count less than 5. The minimum expected count is .20.

<b>Hypothesis</b>	<b>Ho: there is no significant association between the variables.</b>
<b>Interpretation</b>	The null hypothesis could not be rejected because the computed p-value = 0.948 which is greater than 0.05. Thus, it can be concluded that the variables are not significantly associated at 5% level.
<b>Conclusion</b>	Hence, the job position and preferred monetary reward are insignificantly associated.

Objective 4: To check association between frequency of rewards and satisfaction with reward system.

<b>Frequency of Rewards*Satisfaction with Reward System Crosstabulation</b>				
Count		Satisfaction with Reward System		Total
		No	Yes	
Frequency of Rewards	Annually	25	19	44
	At the end of the project	4	6	10
	On festivals	9	5	14
	Quarterly	13	12	25
	Semi-annually	3	4	7
<b>Total</b>		54	46	100

Table 4

Most of the respondents, that is 44 out of 100, receive their rewards annually, followed by 25, 14, 10, and 7 respondents who get their rewards quarterly, on festivals, at the end of the project, and semi-annually, respectively.

Out of 100, 54 respondents are not satisfied with the frequency of the rewards, whereas the

remaining 46 respondents feel satisfied with the frequency of rewards.

A total of 25 respondents receiving rewards annually do not feel satisfied with the frequency of rewards, while 19 respondents are satisfied with receiving their rewards on an annual basis.

<b>Chi-Square Tests</b>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.916 <sup>a</sup>	4	.751
Likelihood Ratio	1.925	4	.750
N of Valid Cases	100		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 3.22.

<b>Hypothesis</b>	<b>Ho: there is no significant association between the variables.</b>
<b>Interpretation</b>	The null hypothesis could not be rejected because the computed p-value = 0.751 which is greater than 0.05. Thus, it can be concluded that the variables are not significantly associated at 5% level.
<b>Conclusion</b>	Hence, the frequency of reward and satisfaction with reward system are insignificantly associated.

Objective 5: To understand the frequency of rewards and achievement of goals by organization.

Most of the respondents, that is 44 out of 100, receive their rewards annually followed by 25, 14, 10, and 7 respondents who get their rewards quarterly, on festivals, at the end of the project, and semi-annually respectively.

Out of 100, 42 respondents are not sure as to whether their organization is able to achieve goals with the current reward system or not. However, 40 respondents believe that their company is achieving goals whereas 18 respondents feel that the organization is unable to achieve its goals due to current frequency of rewards.

Frequency of Rewards\*Achievement of Goals by Organization Crosstabulation

Count		Achievement of Goals by Organization			Total
		Maybe	No	Yes	
Frequency of Rewards	Annually	21	8	15	44
	At the end of the project	4	0	6	10
	On festivals	4	5	5	14
	Quarterly	8	4	13	25
	Semi-annually	5	1	1	7
<b>Total</b>		<b>42</b>	<b>18</b>	<b>40</b>	<b>100</b>

Table 5

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.849 <sup>a</sup>	8	.210
Likelihood Ratio	12.163	8	.144
N of Valid Cases	100		
a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is 1.26.			
<b>Hypothesis</b>	<b>Ho: there is no significant association between the variables.</b>		
<b>Interpretation</b>	The null hypothesis could not be rejected because the computed p-value = 0.210 which is greater than 0.05. Thus, it can be concluded that the variables are not significantly associated at 5% level.		
<b>Conclusion</b>	Hence, the frequency of reward and achievement of goals by organization are insignificantly associated.		

Objective 6: To study the relation between job position and type of reward.

Job Position\*Type of Reward Crosstabulation

Count		Type of Reward		Total
		Monetary	Non-monetary	
Job Position	Administrative	4	1	5
	Executive	13	2	15
	Manager	7	1	8
	Other	64	8	72
<b>Total</b>		<b>88</b>	<b>12</b>	<b>100</b>

Table 6

Most of the respondents, that is 88, give preference to monetary rewards, while only 12 respondents prefer non-monetary rewards.

Out of 88 respondents preferring monetary rewards, 64 respondents are employed at positions other than administrative, executive, and manager.

The majority of people holding administrative, executive, and managerial positions have a preference for monetary rewards, which is shown in the table.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.384 <sup>a</sup>	3	.944
Likelihood Ratio	.341	3	.952
N of Valid Cases	100		
4 cells (50.0%) have expected count less than 5. The minimum expected count is .60.			
<b>Hypothesis</b>	<b>Ho: there is no significant association between the variables.</b>		
<b>Interpretation</b>	The null hypothesis could not be rejected because the computed p-value = 0.944 which is greater than 0.05. Thus, it can be concluded that the variables are not significantly associated at 5% level.		
<b>Conclusion</b>	Hence, the job position and type of reward are insignificantly associated.		

## CONCLUSION

The study is aimed at 1) determining the preferences of employees in the context of rewards 2) to understand the impact of the rewards on the employee's motivation.

The rewards are crucial for sustaining and motivating the employees, irrespective of their type. The monetary as well as non-monetary rewards are significant for enhancing the motivation level of the employees and helping them to stay enthusiastic. However, the study reveals the fact that people are more satisfied and motivated when they receive monetary rewards. Furthermore, people in higher job positions are also inclined towards monetary rewards. Therefore, selecting an optimum reward system is of utmost importance for each and every organization.

## SUGGESTIONS

Companies should constantly keep searching for different methods that can be beneficial for motivating employees to work better.

The aim should be to fulfil the employee's needs at the workplace and provide psychological satisfaction to them. This will help in boosting their morale and productivity.

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