

Impact of Financial Incentives on Performance of Employees in Jordanian Commercial Banks and its Reflections on Jordanian Economy: A Field Study

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Abstract

this study aimed at investigating the impact of financial incentives on the performance of employees of Jordanian commercial banks and its reflections on the Jordanian economy, as well as identifying statistically significant differences in respondents ratings of the effect of financial incentives on their performance. The study sample consisted of (76) randomly selected employees in Jordanian commercial banks. Furthermore the study employed descriptive analytical approach and the following results: 1-The existence of a statistically significant relationship between an effective incentive system and employees performance in these banks; 2 the existence of a statistically significant relationship between reward system and employees performance level in the banks; (3) The existence of a statistically significant relationship between linking performance appraisal results as a basis for granting incentives and employees performance in these banks; (4) The existence of a statistically significant differences in employees performance level, due to their gender, age, marital status, and years of experience.

Keywords: Financial incentives, Rewards, Commercial banks, Performance concept, Employees performance.

Introduction

Human factor is the basic driving power and the efficient factor, among factors of production, since he possesses unlimited energies and upon him continuous development depends (Al-Kaabi 1990), where industrial revolution and enlightenment departed, followed by the entry to competitive markets and achieving universality, which was not likely without public and private organization care about supporting and motivating workers to work in appropriate conditions and wages. Giving the vital role of human resources in achieving organizational goals, economists, and administrative scientists emphasize the study of individual wants and needs and the amount of job satisfaction that directs his behavior towards effective achievement of organizational goals. However, treating a man like a machine, without caring about psychological aspect and the surrounding work environment, incentives and their various aspects, and problems resulting from these issues will negatively be reflected on employees performance in accomplishing his tasks and weaken his wishes in advancing his performance (Al-Qaryouti 2006).

Every employee, regardless of his position, be an administrator or an executive, has specific duties to accomplish in return of gains provided by the Organization, including financial and nonfinancial incentives, which will result in the employee feeling as an integral part in his organization and prompt him to work towards the achievement his organization vision and mission, and this will be achieved through the establishment of a fair rewards and incentives system. Moreover, keeping up with technological and information developments, and caring about services provided by public and private organizations, quality, and looking forward the application of electronic government in Jordanian organization, and emphasizes the need for taking care of the employees of Jordanian commercial banks motivation and developing their performance, a matter that can be achieved through the insurance of establishing appropriate and effective incentives and rewards systems.

Statement of the Problem

Incentives importance is clearly apparent in the work area and its positive reflection on job satisfaction which in turn, will be reflected on employees productivity and loyalty to their organizations. Furthermore, recent times witnessed talks about exploiting and ignoring workers rights, especially in the third world countries. Therefore, this study came to shed light on an important aspects that contributes to solving this problem, since the successful management is one that poses how to use its workers full capacity and effectiveness to achieve its objectives, through scattting the effective incentives system that can positively

influence workers performance in a manner that increases their job satisfaction and their organizational loyalty, while helping it to advance, profitability and survival.

Research Hypothesis

1. There will be a statistically significant relationship between an effective incentives system and employees performance in the Jordanian commercial banks.
2. There will be a statistically significant relationship between rewards system and employees performance in Jordanian commercial banks.
3. There will be a statistically significant relationship between linking performance appraisal results as a basis for granting incentives and employees performance level in Jordanian commercial banks.
4. There will be a statistically significant difference in employees performance in Jordanian commercial banks, due to their genders, ages, marital status, and their years of experience.

Research Objectives

The current study aimed at identifying the impact of financial incentives on the performance of employees working in Jordanian commercial banks and its reflections on the Jordanian economy through achieving the following research objectives.

1. Identifying and assessing incentives system in the Jordanian commercial banks and its impact on their performance.
2. Identifying rewards and incentives system advantages and their effective range as well as specifying their deficit and weaknesses in order to achieve an efficient incentive system.
3. Measuring the extent to which incentives and rewards system is consistent with work system in commercial banks by investigation.
4. Identifying problems related to decreased Job performance and their relationship with current incentives system.
5. Identifying the current status of employee, problems facing him, and their value in relation to the study topic.
6. The possibility to achieve recommendations based on the study results, that might contribute to the development of job performance as well as highlighting the importance of financial incentives for performance.

Significance of the Study

The current study sought to assess financial and nonfinancial incentives impact on employees performance in Jordanian commercial banks and their reflection on Jordan economy, Identifying influences, advantages and weaknesses in job performance to avoid weaknesses and curing them and specifying advantage points and reinforcing them, through evaluating current incentives and rewards system in commercial banks.

The study was confined to the study of the impact of financial and nonfinancial incentives on employees performance in Jordanian commercial banks and its reflection on Jordanian economy, where (76) questionnaires were distributed on a random sample of employers in Jordanian commercial banks.

Procedural Definitions

Financial incentives: (Al-Mutairi 2005) the study suggested that financial incentives are those meeting individual financial needs and motivate him to produce and develop his performance, where their aim is to increase efficiency and improve performance. However, financial incentive can be defined as one with financial, monetary, or economic nature. This incentive is also, the one most used and most influential among other types of incentives, since it satisfies hardworking employees needs, because wages and salaries are among the basic elements to meet human needs, and this what some people emphasize by saying that the wage earned by people in monetary units can be considered incentives for work, however, money is a basic incentive or part of basic incentives, but money, has no value in itself, while this value is due to its role in

satisfying basic needs by this money, (Abdel Jaleel 2000). However the extent that wages achieve in human needs satisfaction in what determines this value, given that incentive value ends by the end of the time of its enjoyment, also the extent of its consistency and integration with the need or the desire felt by individual and its connection with production, (Shaweesh 2005). However, wage is not an incentive since incentives are whatever things that motivate people to exert more efforts at work, whereas wages will reach workers, whether they work hard or not, in their work, because wages are acquired right, (Hamzawi 1987).

However, (Al-Qaryouti 2006) argued that computing wage on the basis of number of units produced can be considered a financial incentive encouraging the exertion of more effort at work to produce as much units as possible, and this way of humiliating is represented by giving workers wages consistent with what they produce during their daily work to be used as a measure of worker's monthly wage for what he produced during that month, where monthly wages are distributed according to units of products or services completed by the worker, an action that provides workers with an incentive to produce as much as they can. Maher, on the other hand argued that each organization ought to choose the appropriate combination of incentives if it wants to have an integrated system to motivate people for their distinguished performance. Meanwhile, there exist many kinds of incentives used in various businesses (Maher 2010), as well as multiple methods to classify these incentives.

Rewards: Can be defined as amounts of money given to an employee for exerting a distinguished effort, and can be granted on the basis of a particular skill mastered by a worker through his work which enabled him to reduce expenses, time, or effort, and therefore was qualified to have that reward . This work is a response to quick developments on businesses and the need for continuous development of skills. Applying this approach is no doubt, mean applying motives theory relating to personal existence and development need (Al-Qaryouti, 2006).

Performance concept: Performance means the work accomplished by a person after being assigned to him and it must be specified in terms of quantity and quality level and performed in a particular method or technique (Abu -Alqah, 2002). However, the performance also indicates the degree of achieving and completing tasks comprising individual job and it reflects the way in which individual satisfies job requirements, however, an interference always takes place between effort and performance, where effort is indicated by the results accomplished by an individual, for instance, an individual might exert great effort in the energy exerted, while performance measures the preparation for the exam but gets a low score, so effort exerted here is high while performance is low (Hasan, 2000). However, good performance in governmental organization is represented by one's skill in utilizing human resources and physical and technological tools in achieving a high level of consistency and goals through the just in time performance with lowest possible expenses, in both human and physical resources (Al - Kharraz, 1987).

Literature Review

Al-Jassasy (2011) conducted a study entitled "The impact of financial and non financial incentives in improving employees at the Omani ministry of education performance". The study aimed at investigating the impact of financial and nonfinancial incentives on employee's performance either positively or negatively. Questionnaire was used for collecting data, and the study was conducted on a sample of (290) head divisions and employees in different directorates of education. Results showed no statistically significant differences in subject's attitudes towards the impact of financial and non financial incentives in improving employees performance at the Omani ministry of education due to their age, marital status, educational qualification and job title.

Awwad (2011) conducted a study entitled" Influence of incentives on workers at Nablus specialized hospital". The study aimed at identifying the types of incentive granted on employees and the extent of their satisfaction on the existing incentive system, as well as to identify the relationship between incentive system and employees satisfaction the study employed descriptive approach to measure the effect of incentives on employees performance along with the analytical one through the preparation of a questionnaire specific for this purpose and was administered on a sample of (75) employees. Results showed low level of financial and

nonfinancial incentives as well as nonexistence of statistically significant between dependent variables (financial and home financial incentives) and employees performance at Nablus specialized Hospital.

Al -Badi, (2008) conducted study aiming at identifying the degree to which organization Manager possessed the skill of motivating employees and the degree to which these incentives are employed to improve their performance in addition to identify the criterion followed by the manager in appraising his employees to motivate them and finally the study aimed at identifying the most important provided incentives. Results showed that the managers possessed a good skill in motivating his employees and a good use of financial and non financial incentives in rewarding organizational employees.

Al - Akish (2007) conducted a study entitled" Rewards and incentives system at Palestinian authorities departments and its role in improving employees performance", the study aimed at identifying the role of rewards and incentives system and its effect on job performance improvement of employees at these departments at Gaza strip. Results showed that rewards and incentives system had a weak effect on performance improvement in Palestinian authority departments and that the majority of these employees had no knowledge about incentive system and rewards granting.

Awwad (2005) conducted a study entitled "A System for measuring job performance for employees at Palestinian authority departments at Gaza Strip". This study aimed at analyzing job performance system followed by Palestinian authority departments, identifying the status and practices of performance appraisal in this authority. Main results included (1) A general weakness in the performance appraisal system, (2) A risky impairment existed in setting and specifying the criterion to be used as a basis for evaluation processes; (3) Training process, both for supervisor or employees, before initiating the application of this system, were not accurate as well as there was no connection between system output and employees training plans. However, the study suggested the following (1) All parties should take evaluation processes seriously and under the supervision of higher managerial levels, as well as the enactment of performance parameters to make them more justice and accurate, (2) involving more than one supervisory level in the evaluation and criteria formulation. (3) Adopting more than one form for measuring different jobs.

Statistical analysis and results

This section involved results presentation and analysis, in the current study, which aimed at identifying the impact of material and non material incentives on employees performance of Jordanian commercial banks. Table (1) displayed frequencies and percentages of subjects according to their gender, age, marital status and years of experience.

Table (1) Frequencies and percentages of subjects according to the study variables.

Variable	Category	Frequency	Percentage
Gender	Males	48	63%
	Females	28	37%
Age	20-29	35	46%
	30-39	31	41%
	40-49	10	13%
Marital Status	Single	34	45%
	Married	42	55%
Years of experience	Less than 5 years	41	54%
	5-10 years	30	40%
	More than 10 years	5	6%

H₁: There will be an impact of incentive system on employees performance in Jordanian commercial banks. To test this hypothesis, means and standard deviations of the impact of incentive system efficiency variable on employee's job satisfaction and results are displayed in tables (2)

Table (2) Means and standard deviations for items of incentive system efficiency domain on employee's performance in a descending manner.

Rank	No.	Item	Mean	S.D
1	3	I feel safe and stable because of the retirement system existence	4.41	84.0
2	4	Health insurance provides appropriate services.	4.28	81.0
3	2	I think job nature allowance encourage me for more better performance	4.25	97.0
4	14	I am satisfied on increases and allowances on my salary	4.20	1.21
5	5	I believe that salary and merits system is somewhat fair	3.87	1.09
6	6	My salary and other benefits fulfill my basic needs	3.82	1.19

Means and standard deviations related to item of incentive system efficiency domain, where item (3) which states I feel security and stability because a retirement system exists, came first with a mean of 4.41, followed by item 4, which states Health insurance provided employees with appropriate services, in the second rank with a mean of 4.28. However in testing this hypothesis as a whole mean agreement score was compared to hypothetical standard mean of (3), using test for one sample, and results are shown in table 3.

Table (3) T- test results for comparison with standard mean.

Variable	No.	Mean	S.D	T. value	DF	Sig.
Efficiency of incentive system	76	4.14	73.0	13.57	75	0.000

Table 3 showed statistically significant differences between mean score of agreement on the third hypothesis and the standard score (3), which indicates the acceptance of this hypothesis. The second hypothesis: There is a statistically significant relationship between the existence of a reward system and performance of employee in Jordanian commercial banks. To test this hypothesis means and standard deviations of the impact of rewards system and level of employees performance, and table (4) displayed these results.

Table (4) Means and standard deviations for items of rewards impact on employees performance in a descent order.

Rank	N0.	Item	Mean	SD
1	10	I believe that rewards systems encourages job performance improvement	4.30	88.0
2	11	I am knowledgeable about rewards system and mechanisms for granting them	4.09	1.15
3	8	I already received a reward for my excellent work	4.08	1.14
4	7	I believe that rewards system, in the incentive law, is appropriate	4.08	1.14
5	9	Direct supervisor, often, recommends exceptional rewards for his proficient employees	3.93	1.09
6	12	Reward, most often, went to their deservers	3.67	1.34

Table (4) displayed means and standard deviation for items of rewards domain in incentives and rewards system and performance level of commercial banks employees, where item (10), stating "Rewards system

encourages job performance improvement with mean of 4.30 came first followed by item (12) stating Rewards often granted on these who deserve them Came lastly with a mean of (3.67).

In testing this hypothesis as a whole, mean score of agreement degree with the standard mean (3), using one sample t-test and results are shown in table (5).

Table (5) T-test results for comparison with standard mean (3).

Variable performance	No.	Mean	SD	T. Value	DF	Sig.
Appraisal and incentives	76	4.03	76.0	11.71	75	0.000

Table (5) showed statistically significant differences between agreement degree with the second hypothesis mean score and hypothesized standard mean of (3) indicating the acceptance of this hypothesis.

Third hypothesis: there is a statistically significant relationship between connecting results of performance appraisal as a basis for granting incentives and employees performance level in Jordanian commercial banks. In testing this hypothesis means and standard deviation of performance impact as a basis for granting incentives and rewards and employees performance level and as shown in table (6).

Table (6) Means and standard deviations for items of performance appraisal and incentives domain on employees performance on a descending order.

Rank	No.	Item	Mean	SD
1	17	I believe that positive performance appraisal results induce and motivate me to work efficiently.	4.21	84.0
2	14	I believe that managers are interested in performer appraisal results as a basis for reward and punishment.	4.13	96.0
3	13	I think that annual performance appraisal results are the basic criterion for granting incentives and rewards.	4.12	1.07
4	19	I am interested in my annual performance appraisal results because they are and opportunity for receiving rewards.	4.03	94.0
5	15	I feel justice and equality regarding my annual performance appraisal results.	3.92	1.10
6	18	Bank top management links promotion decisions with employees performance appraisal results.	3.91	1.01
7	16	I fell satisfied on and acceptance of my job title and degree.	3.86	1.10
8	20	I believe that annual performance report is the main tool for granting rewards and incentives.	3.76	1.14

Table (6) showed means and standard deviation for item of performance appraisal results domain as a basis for granting incentives and employees performance level, where item (17) stating, "I believe that positive performance results induce and motivate me to work efficiently", came first with a mean of (4.21), while item number (20) stating "I believe that annual performance report is the main tool for granting rewards and incentives", came lastly with a mean of (3.76).

In testing this hypothesis, mean score of agreement degree with this hypothesis was compared with the hypothesized standard mean (3), using one sample test, and results are shown in table (7).

Table (7) T-test results for comparison with hypothesized standard mean of (3).

Variable performance	N	Mean	SD	T. Value	DF	Sig.
Appraisal and incentives	76	3.99	72,0	11.93	75	0.000

Table (7) showed statistically significant differences between mean score of agreement degree on the third hypothesis and standard mean score of (3), indicating the acceptance of this hypothesis.

Hypothesis (4) There is a statistically significant relationship between employees performance level of employees of commercial banks, due to subjects gender, age, marital status, and years of experience, were computed, however to identify statistically significant differences, T-test for gender variable and marital status was used, but ANOVA test, for age and years of experience variables was used and results are displayed in table (8) for gender impact.

Table (8) Means, standard deviation and T-test for gender impact on employees of commercial banks performance.

Domain	Gender	No.	Mean	SD	T .Value	DF	Sig.
Efficiency of incentive system	Male	48	3.99	68.0	2.30	75	0.024
	Female	28	4.38	0.75			
Rewards	Male	48	3.89	86.0	2.41	75	0.039
	Female	28	4.26	48.0			
Performance appraisal incentives	Male	48	3.88	66.0	1.87	75	0.06
	Female	28	4.19	79.0			

Table (8) showed no statistically significant difference at ($\alpha \leq 0.05$), due to performance appraisal and incentives, but these significant differences due to the two other variables, so the hypothesis is accepted for efficiency of incentive system and rewards variables, however, as for performance appraisal and incentives this hypothesis was rejected.

Table (9) displayed means, standard deviations and T-test results for marital status effect on commercial banks employees performance.

Table (9) Means, standard deviations, and T-test results for the impact of marital status on employees performance.

Domain	Gender	N	Mean	SD	T .Value	DF	Sig.
Efficiency of incentive system	Single	34	4.06	0.77	0.775	75	0.441
	married	42	4.19	0.70			
Rewards	Single	34	3.81	0.89	2.24	75	0.028
	married	42	4.20	0.61			
Performance appraisal incentives	Single	34	3.89	3.89	1.07	75	0.290
	married	42	4.07	4.07			

Table (9) showed no statistically significant differences at ($\alpha \leq 0.05$), due to marital status in both efficiency of incentives system or performance appraisal and incentives, but only for rewards variables, so this hypothesis is accepted for rewards and rejected for the two other variables.

Table (10) Displayed means and standard deviations in the study variable, due to subjects age.

Domain	Age	No.	Mean	Standard Deviation
Efficiency of incentive system	20-29	35	4.05	0.79
	30-39	31	4.32	0.48
	40-49	10	3.85	1.01
Rewards	20-29	35	3.72	0.86
	30-39	31	4.34	0.50
	40-49	10	4.08	0.71
Performance appraisal incentives	20-29	35	3.96	0.77
	30-39	31	4.10	0.49
	40-49	10	3.76	1.12

Table (10) showed apparent differences in means and standard deviation, due to subjects age impact on employees performance, and to locate differences due to different age variable categories, ANOVA test was employed, and results are displayed in table (11) below.

Table (11) ANOVA results for the impact of age on employees performance.

Domain	Source of Variance	Sum Squares	DF	Means Square	F	Sig
Efficiency of incentive system	Between groups	2.14	2	1.07	2.069	0.134
	within groups	37.78	73	0.52		
	total	39.92	75			
Rewards	Between groups	6.47	2	3.23	6.332	0.003
	within groups	37.30	73	0.51		
	total	43.78	75			
Performance appraisal incentives	Between groups	0.93	2	0.46	0.880	0.419
	within groups	38.49	73	0.53		
	total	39.42	75			

Table (11) showed no statistically significant differences at ($\alpha \leq 0.05$) due to subjects age on efficiency of incentives domain, however, regarding rewards domain, differences at ($\alpha \leq 0.05$) level due to subjects age, therefore the hypothesis is accepted for this domain and rejected for the other two.

Table (12) displayed means and standard deviations for employees in commercial banks performance according to their years of experience.

Table (12) Means and standard deviation for commercial banks employees performance by years of experience

Domain	Years of experience	No.	Means	Standard Deviation
Efficiency of incentives system	Less than 5	41	4.19	0.73
	5- 10 years	30	4.19	0.55
	More than 10	5	3.37	1.28
Rewards	Less than 5	41	3.97	0.86
	5- 10 years	30	4.20	0.56
	More than 10	5	3.40	0.58
Performance appraisal and incentives	Less than 5	41	4.02	0.60
	5- 10 years	30	4.08	0.66
	More than 10	5	3.23	1.45

The table above showed apparent differences in means and standard deviation of the impact of incentives on commercial banks employees, due to their different years of experience, therefore, ANOVA test, to identify differences location, was used and results are displayed in table (13).

Table (13) ANOVA results for impact of experience years on employees performance, at commercial banks.

Domain	Source of Variance	Sum Squares	DF	Means square	F	Sig
Efficiency of incentive system	Between groups	3.17	2	1.58	3.145	0.049
	within groups	36.76	73	0.50		
	total	39.92	75			
Rewards	Between groups	3.04	2	1.52	2.731	0.072
	within groups	40.73	73	0.56		
	total	43.75	75			
Performance appraisal incentives	Between groups	3.20	2	1.60	3.230	0.045
	within groups	36.21	73	0.49		
	total	39.42	75			

Table (13) showed statistically significant differences at ($\alpha \leq 0.05$) level, due to employees years of experience on both efficiency of incentive systems and performance appraisal and incentives domains, but not on rewards domain, so this hypothesis is rejected for rewards domain, but accepted for the other two.

Results

Here is a summary of the study main results:

1. The existence of a statistically significant relationship between the presence of an efficient incentives system and performance level of commercial banks employees.
2. The existence of a statistically significant relationship between the presence of a rewards system and the level of commercial banks employees performance.
3. The existence of a statistically significant relationship between linking performance appraisal results as a basis for granting incentives and the level of commercial bank employees performance.
4. The existence of a statistically significant difference in commercial banks employees performance, due to their gender, age, marital status, and years of experience.

Recommendations

Based on the above results the study recommends the following:

- 1- Commercial banks administration should take care of financial incentives (salaries) as they are considered more important by their employees.
- 2- The need for setting a rewards system since they were the most important for employees.
- 3- Conducting a study on incentives impact on employees performance in other departments separately.
- 4- Granting incentives on proper times and ensuring justice in their distribution.
- 5- Fostering team work spirit culture as a fringe incentive, so as to achieve planned performance levels.
- 6- Incentives granting should be, actually, linked with performance level in order to differentiate between employees according to their performance and encourage employees to do their best to improve their performance, regardless of their job title.
- 7- Adopting an effective incentives system that increases employees performance, which, will, in turn, increase bank potential in contributing to the development of national economy?

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