

CHRISTIAN SERVICE UNIVERSITY COLLEGE



SCHOOL OF BUSINESS

THE EFFECTS OF REWARD SYSTEM ON EMPLOYEE PERFORMANCE: A CASE
STUDY OF ATWIMA MPONUA RURAL BANK

BY

KWAYISI SAMUEL SAKYI	10148445
OSEI-WUSU IBRAHIM	10144774
OWUSU ANSAH RHODA	10218964
AGYAPONG DOROTHY	10217583
AGYENIM BOATENG GIFTY	10217711

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DECLARATION

We hereby declare that this long essay for award of Bachelor’s Degree in Business Administration is our own original study which contains no material published or previously presented by another person, nor material which has been accepted for award of any degree of this university or elsewhere.

NAME	INDEX N^o	SIGNATURE
Kwayisi Samuel Sakyi	10148445
Osei-Wusu Ibrahim	10144774
Owusu Ansah Rhoda	10218964
Agyapong Dorothy	10217583
Agyenim Boateng Gifty	10217711

Supervisor’s declaration

I hereby declare that the preparation and presentation of the long essay was supervised in accordance with the guideline on supervision of project work laid down by Christian Service University College.

Supervisor’s Signature..... Date.....

Supervisor’s Name: Isaac Ampong

Head of department’s declaration

I hereby declare that the preparation and presentation of the long essay was supervised in accordance with the guideline on supervision of project work laid down by Christian Service University College.

Head of department’s Signature..... Date.....

Supervisor’s Name: Dr. Kofi Amoako Marfo

ABSTRACT

Reward systems can be vital aspect of any organization. They can actively engage and renew the overall sense of community and mission of an organization. A properly administered system of reward can provide incentive for equality, workshop and staff performance

The purpose of the study was to examine and establish the effect of reward system on employee performance. This study was also to contribute to ways in which proper reward system will be instituted in an organization. From the analysis of our findings it came to light that, reward system has a correlation with performance. The data used in this study were collected from 54 respondents. The sample gathered was from 9 employees each from 6 branches of the bank. Questionnaires were the instrument used in obtaining information. The study was guided by the following questions: Have you ever been rewarded before? How equitable or fair are rewards distributed in the organization? Are your efforts recognized and appreciated by managers after a difficult task has been performed? The findings reveal that; employees were rewarded mostly with promotion and are based on performance. Efficient implementations of reward system would help the organization to attract and retain qualified employees. It was also evidenced that all stakeholders play an important role in improving reward system in an organization.

Based on the above findings, the following recommendations have been made:

- Rewarding the employees should be done across board in the Organization and should be non-discriminating. People should be rewarded based on the value of their contribution to the Organization. With this every performance would improve if employees believe that efforts intended on task would be rewarded accordingly.
- The Organization must introduce new rewards types like accommodation, holiday trip scholarship for education and increase in workers' salaries among others.

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DEDICATION

This research report is dedicated to our Parents, Siblings and children, to Dr. Ahenkorah (Dean of the School of Business), Dr. Marfo (Head of Department General Studies), Mr. Isaac Ampong, supervisor for their encouragement and guidance; this research work could not have come to a successful end without them.

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CHAPTER ONE

1.1 Background of the Study

Reward systems can be vital aspect of any organization. They can actively engage and renew the overall sense of community and mission of an organization. A properly administered system of reward can provide incentive for equality, workshop and staff performance. Likewise, a poorly administered reward system can be lead to low morale, unproductive performance, and even lead to a high percentage of staff turnovers. A reward system is successful when the staff interprets its policies as even headed, consistent and relevant. Reward and recognizing employees is a ticklish business. It can motivate people to explore more effective ways to do their jobs or it can utterly discourage such efforts.

Reward systems according to Sziligy (1981) are outcome or events in the organization that satisfy work related needs. Reward systems are much more than just bonus plan and stock options but while they often include intrinsic incentives, reassignment, non-monetary bonuses, vacation holidays or a simple “thank you” from a manager, (jobs, 1980). Since high morale and productivity go hand in hand, it is however imperative on managers to reward employees when they hit organizational targets and meet stretched standards set by the organization. This could help employees directly connect the system of reward with behaviour and high performance. A properly administered system of rewards has the capacity not only to improve incentives for quality workshop and staff performance whereas the reverse may lead to unproductive performance and even to a high incidence of staff turnover, (Wilson, 2004).

The above not with understanding, most organizations have problems describing and allocating these rewards fairly to suit organizational demands in relation to employee performance. Thus, which and what kind of reward system to allocate and at what time, and

whether non-salary based, salary based, annual merit based or personal praise by managers, funding for conference based or external development opportunities as determined by the manager within the company's periscope have become a major challenge to most manager today, (Ostroh Personal Communication, April, 19,2004). As salaried rewards are given on merit, little differentiation can be made between high and low levels of performance of employees. Therefore problems of rating and measurement of performance coupled with inadequate funding by some organizations have necessitated the adoption of non-salary based rewards, which are based solely on the reward power of managers with no directions from formalized policies.

With regards to the various steps of performance appraisal under reward systems, it is evident that employees and supervisors would come into terms with goals and policy frame work of the organization and develop personalized non-salaries based rewards that correlate with the specific objectives. Allocation staff to choose their type of reward ensures high level of personal value touched to the rewards but on the contrary, in some organizations, managers argue employees could become narrow and perform well in specific objectives amongst the lot and not for the entire organization.

Research indicates that, the greater proportion of unsatisfactory performing subordinated in a group, the more favourable the subjective evaluations of satisfactory performers (Ivancevich, 1983:465-466). Therefore as contrast effects can bestow a false sense of high or low performance on a group or individual performance, much care must be taken when evaluating individual performance within group context. Individualizing rewards in order to generate staff equity also provides for a more accurate representative of the overall employee performance but phenomena known as "contrast effect" occurs especially when individual evaluate within the context of a group. Finally, rewards must be linked high performance.

1.2 Problem statement

It is a well known fact that human resource is the backbone of most organizations, and their corporate entities due to their enormous strides and accomplishments within the organization, it is however baffling to note that, productivity of the organizations have not seen major improvements. These are evident in the poor quality product and delayed service delivery and the incessant organizational conflicts such as boycotts and strike actions.

Growing evidence suggest that, in developing economies like Ghana, most employees are ill-motivated and lack human resource capacity, the morale and the enabling environment to improve productivity and this is to a greater extent due to the unavailable human resource managers in some organizations to administer employee centred and goal-oriented reward system.

In spite of the adoption of new innovative rewards systems by organizations in recent times such as cafeteria benefit style, banking time off, all salaries team, skilled based pay and gain sharing system and so on, each of them comes without several costs and benefits on employees performance.

Administering rewards are thought to be a very daunting task managers must perform since managers need to use judgment, diagnosis and the resources available to reward these employees based on performance. This problem stems from the fact that, employers have different needs and perceptions, so outcomes such as pay, promotion, a reprimand and so on have different value for different people. Thus, in considering with reward and that time to administer it, a manager has to be astute in considering individual differences but if valued rewards are used to motivate, they have the high possibility of resulting in the exertion of effort to achieve high levels of performance (Ivancevich et al, 1983).

Again, intrinsic rewards, which are rewards, derived from employee's inner satisfaction for doing work such as responsibility, challenge and feedback do not find their way in most job establishment as everyone's major preoccupation for doing work is to gain "monetary rewards". This given much credence to the fact that, as most employees work for pleasure, others do not view it as a money making venture. More so, most employees like to work in organizations with as much rewarding and recognize employees' performance through the administration of rewards as appreciation and motivation for higher performance, thus, effort expended on task will depend on the value of rewards for performing the job well and the expectation that the rewards will follow) Porter et al. 1968 (in Ghana, there seems to be paradigm shift of focus from employee well-being and satisfaction to customers' satisfaction. However, according to employment contract, employees' are accountable for their performance but performance measurement and surveillance are not sometimes linked with rewards.

Finally, the reward bases (methods for distributing rewards in organizations) like equity, power equality and needs, have also generated problems for-managements. This where rewards bases are found to be in conflict with reward policies (thus, organizational policies concerning types, amount and way rewards are distributed). Often confusion arises in some organizations due to the system of designing and administering fair rewards. Some management may like to base it on merit, whereas others may like to base it on position, under no circumstances must a subordinate be rewarded more than a superior. Reward management as a key to human resource management technique, all these must be properly addressed and defined. For instance, equity in reward distribution is a major tool for resolving such problems because people want to be treated fairly and they tend to compare contributions and rewards to those received by other (Ott, 1989). In the light of these major

problems, amidst the positive development in rewards systems administration in Ghana that study sets to ascertain the actual situation on the ground using AtwimaMponua Rural Bank Limited (AMRB Ltd).

1.3 Objectives of Study

The objective of the study has been group into general and specific objective:

-) Identify and analyse the organization's reward systems and their effects on employee performance.
-) Identify the types of reward systems used in the company
-) Find out the impacts of the rewards system in the company
-) To examine whether employees are satisfied with the existing reward system.

1.4 Research Question

The research work was to find answers to the following questions:

-) How does organization identify reward system and what effect does it have on employees' performance?
-) What type of reward system can be used by the organization?
-) How does the reward system impact positively on the employees?

1.5 Significance of the Study

The contact and result of this study shall be immense importance to all corporate entities and other stakeholders who recognize employees as a vital human resource that need to be harnessed and developed.

It would also expose the excesses and weaknesses of the study, thus, serving as a mirror for self-assessment of management and employees' performance. This would also provide the

needed criticism to serve as wake-up call for improvement and offer advice on restructuring of the organization if the need be. Currently, Atwima Mponua Rural Limited can boast of 96 employees' base. This involves that without a proper management of reward system as an instrument of human resource management, employees' performance may have multiple effects on the Bank's survival within the Banking Industry.

1.6 Limitations

Though information was obtain from our field of study, we encountered various challenges which came in the form of the bureaucratic process of the organization, lack of cooperation and delayance on the part of employees in filling the administered questionnaires. Also the busy work schedules of employees' hampered the overall administration of questionnaires and the unstructured interview. In addition the period allocated for the research work is limited but despite all constraints the research was successfully carried out.

1.7 Organization of the Study

This study is made up of five chapters.

Chapter one deals with the background, problem statement, the purpose, the research question significance, limitation, delimitation and organization of the study.

Chapter two covers the literature review, which is the theoretical and empirical review of the study. Chapter three focuses on methodology used in the study that is the procedures followed to obtained the relevant information and data for the research work.

Chapter four also talks about the results of the study.

The last chapter that is chapter five is on other summarizes the findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter of the study is concerned with the presentation of the review of some of the mainstream thoughts contained in the contemporary literature to serve as background for subsequent analysis. However the literature review in this chapter is to focus on organizational rewards system and their effects on employee performance.

Rewards system are the planned activities that organizations implement in order to motivate their employees or individuals to achieve the set goals of the company, that is, it is aimed at improving the individual performance in the organization.

Managing human resource, which is an organization's most valued asset, has received much attention recently because much more could be gained from better handling of human resource within organization. This has called for a concerted effort to improve or develop these resources strategically through the fair administration of performance based rewards system. (Schuler,1995). Rewards systems are outcomes in the origination that satisfy work-related needs for employees (Szilagy, 1981:574).

Many organisations have traditionally viewed their systems for rewarding employees and executive purely as a cost of doing business. Nevertheless, in an increasing knowledge and service based economy, where remuneration can constitute 75% of total operational cost, progressive organisations are coming to regard reward system as a source of competitive advantage,(Lawyer 1981:23) believes the amount of rewards that the organization is able to allocate to the employees is a critical factor in determining the motivation of the employees.

The idea that the firms reward system is a significant situational factor that influences employees job performance has long been accepted in most cooperate bodies (Wiersma, 1922; Wiley 1997).

A reward system is not simply concerned with paying adequate basic salaries, but has many intricate and combined elements. It reflects the aims, philosophies and values of the business and is a real way of communicating these to all employees. An effective organisational reward system will help create a skilled committed, competent and well motivated workforce, one that ensures that the organisation stays ahead of its competitors (Carter: 2002).

Despite numerous studies on organisational rewards systems and their effects on employees' performance, little is known about the interaction effects between the two. The rationale is the employees innovative outputs are not exclusively determined by individuals themselves. Organisations internal practices play a critical role in influencing employees' performance. Indeed the interactive process perspective theory antecedents and organisational characteristics (Edwards, 2000; Pierce and Delbecq, 1977; 34; Slappendel, 1996; van de ven, 1986.) In particular, we investigate how the organisational rewards system affects the employee on their performance. In reality, employees' performance is often interlinked with organisational structures and contextual influences.

2.1. Attitudes and Organisational Reward System

Existing research has established the importance of a board variety personal characteristics and contextual factors for individual's creativity performance (Baer et, al, 2003; Janssen, 2004; Oldham and Cummings, 1996). Yet, while numerous studies have individually identified the predictive influence of personal characteristics and contextual factors on

individual's performance, few of the prior studies have explicitly tested their interaction effects. Indeed, Ettl and O'Keefe (1982) suggested researchers should consider the moderating influence of contextual factors when examining the attitudinal relationship.

Their call is in line with earlier works by **Rokeach and Nisbett (1972)**, where behaviour towards an object is hypothesized as a function of attitude towards the object under different contextual conditions. Based on this line of argument, we argue that patenting performance of employee is a function of their attitude toward work and their attitudes toward the impediments to work under the contextual influence of the firm's reward system.

The idea that the firm's reward system is a significant situational factor that influences employees' job performance has long been accepted in the motivation literature (Wiersma, 1992; Wiley, 1997). Commentators in the field have shown that rewards, particularly extrinsic rewards are powerful factors impelling motivation and job performance (Taylor, 1967; Wiley, 1997).

In a similar vein, researchers in the technology domain have observed the positive relationship between a supportive reward system and motivation of technologists in information technology companies (Sankar, Ledbetter, Snyder, Roberts, McCreary and Boyles, 1991). Notable volumes of studies on employees work performance including laboratory experiments and field interventions have shown that improvements in external contingencies such as reward structures have resulted in subsequent rise employees' motivation and work performance (Hammer and Hammer, 1976; Komaki and Frederickson, 1982). Specifically, (Abbey and Dickson 1983) found that an individual innovative

performance is influenced by perceived attractiveness of the firms reward system and perceived willingness of the organization is supporting innovative work.

The contextual of rewards on employees' performance is also widely applied in the creativity literature. Given that patents, a form of technological innovation are characterized as a radical and innovative ideas that could make a major change in a product or procedure, they are accepted as an exemplification of creative performance (Oldham and Cummings, 1996), as Scherer and Ross (1990;615) precisely expressed, Technical innovation do not fall like manna from heaven because they require effort, especially the creative labour of invention; Thus, it is justifiable for us to draw on studies from the creativity domain to support our argument on the joint effects o attitudes and rewards on individuals patenting performance.

One explanation for the inconclusive results involves the aforementioned concept of individuals' attitudes. As postulated in the preceding section, individual are likely to innovate i.e. develop patents when they have positive attitudes towards work and towards the impediments to work. The reasoning is that individuals with brighter outlooks tend to experience positive mood states as enthusiasm and excitement, which would inspire them to persist in the face of challenge and barriers.

Following the positive relation to performance, the mixed and incongruent reward creativity results observed in earlier studies might be due to the fact rewards, an organizational contextual factor do not influence creativity directly. Based on the interactive process perspective that postulates in individuals innovative performance as a complex person-situation interaction (Edwards, 2000, Pierce and Delbecq, 1977; 34; Slappendel, 1996; van de ven 1986), we posit that rewards interact with attitudes to influence individual's creativity.

The previous section on attitudes rationalized that employees who are positive about their work are likely to take risks, stay more focused, and work longer on an idea or problem, which would probably lead to higher patenting output. In their persistence on the job, they are likely to evaluate the potential rewards offered by their organizations. According to the social exchange relationship with the organization in terms of the efforts exerted toward the job and the potential rewards received from the efforts. Employees with positive attitudes would devote more efforts in their work, and if their organizations reward them fairly in the exchange process they are likely to continue their investments of skills, time and efforts (Janssen, 2004). This would ultimately translate to higher levels of job performance. In essence, the social exchange theory implies that positive attitudes enhance the innovative performance of employees when firms reward systems are supportive of innovation.

In this study, we argue that the extent to which employees perform innovatively in response to positive attitudes towards work and positive attitudes towards the impediments to work is contingent upon the supportiveness of organizations reward systems. Organizations reward systems that are supportive motivate employees to adapt their positive attitudes towards R&D work and positive attitudes toward impediments to work to maximise patenting output.

On the other hand, unfavourable rewards inhibit employees desire to act on their positive attitudes to achieve high levels of performance as they are likely to be discouraged by the unfair returns from the social exchange relationship with the organizations (Adams, 1963; Blau, 1964).

2.2 Extrinsic and Intrinsic Reward System in Organisations

Individuals within organisation seek out intrinsic as well extrinsic rewards. Intrinsic rewards of non-financial rewards which include responsibility, personal growth, autonomy, completion of task and achievement provide for expression of skills and talents of employees. Employees who cherish these forms of rewards do so because the job is gratifying in itself (Lewis, 1983). It is well known fact that, rewards are linked with performance of employees in any given organisation. This is because employees are generally rewarded on the basis of the value of the job, their personal contribution and their performance.

According to Victor Vroom's 'Expectancy theory' (1969 in J Steven Ott, 1989), employees will be motivated to exert a high level of effort when they believed that their effort will lead to a good performance appraisal, and followed by organizational reward such as bonus, salary increment or promotion which later satisfy goals. Whereas reward systems apply across board, individual's rewards are attained by different performance. Two examples are the piece rate in industry and the singling out of employees for honours because of their specific contribution. In 1979, international Telephone and Telegraphy Corporation developed the annual Harold S. Gereen Creative Management award, which Gereen termed 'Sort of ITT Oscar' Awards, which were conferred on middle managers for achieving such goals as improving departmental efficiency. Before rewards are administered, there are certain criteria and processes which may be followed, rewards processes suggested by a model indicate that, the motivation to exert effort is not enough to cause acceptable performance. Performance results from a combination of effort of an individual and that person's ability skill and experience. Most management evaluates each individual performance either formally or informally and distributes two types of rewards; intrinsic and extrinsic because of the

evaluation. When the individual the rewards to the extent that the reward are adequate and equitable, the individual achieved a level for satisfaction (Dalton et al 1979; 17-42)

Manager use rewards power most effectively by establishing conditions under which employees receive intrinsic rewards, that is, rewards that are part of the behaviour itself. Intrinsic rewards include assignments that are so engrossing and enjoyable that employees find the work itself rewarding. That is to say, employees get the chance to learn skills that will be valuable in their careers and the feeling of pride and satisfaction that go with successfully accomplishing a difficult task. When managers provide access to such intrinsic reward, employees will be productive, not because of compliance, but out of true involvement and interest in the task (Patrick et al, 1996; 648)

2.3 Equity and Equity of Rewards

Organizational conflicts sometimes arise as a result of improper or unfair distribution of rewards. That is, methods for distributing rewards in organisation such as equity, power and equality, conflict in rewards policy(policy concerning types, amount and rewards are distributed) employees have different needs perceptions and outcome such as pay, promotion a reprimand form a superior or management etc, which have different values for different values for different people. A significant amount of research has done on what determine whether individual are satisfied with rewards or not which has been summarized by (Lawyer 1988; 68-71).

First, satisfaction with a reward was found to be a function of how much I received and how much the individual feels would be received. This conclusion is based on comparisons people make. If individual receives less than they feel they should receive they are dissatisfied.

Second, feeling of satisfaction are influenced by comparison with that happens to other people tend to compare their efforts, skills seniority a job performance with those of others. They then attempt to compare rewards that are comparing their own input of other relative to the reward received. This is input outcome comparison has to for wit equity theory.

People differ in the rewards they desire, and in the relative importance difference reward have for them. Individual differ on what they prefer. In fact, preferred rewards vary at different points in a person's career at different ages and in various situation some rewards such as promotion, and fringe benefit are satisfying because they leads to other reward. For example a large office that has carpeting or a drape is often considered a reward that leads to such things as prestige, autonomy and independency, security and shelter.

Again, satisfaction is influence by how satisfied employees are with both intrinsic and extrinsic rewards. Intrinsic rewards are valued in and other themselves; they are related to performing the job, for example, the feeling of accomplishment and achievement. Extrinsic rewards are external to the work itself; they are administrated externally, for example, salaries, wages, fringe benefits and promotion. Most studies suggest that both rewards are important. Nevertheless, both satisfy different needs.

Generally, most organization resort to the administration of extrinsic rewards more than intrinsic rewards. Extrinsic rewards are mostly financial rewards, which are external. Amongst them are monetary rewards, bonus plans, interpersonal reward and promotions. The cost and benefits of administering these extrinsic rewards are evident in the discussions.

2.4 Salaries and Wages

Even though money is a major mechanism for rewarding performance, very little is known about how it works. To really understanding how money modifies performance, the preference of the person being rewarded must be understood; which of course a challenging task is for most managers. Unless employees a connection between performance and merit increased money is not a powerful motivator. In some cease a well – designed appraisal systems can make the pay – performance connection clear in the minds of employees. The clarity does not just happen: managers must work hard at communicating the performance – financial reward connection. (lawier. 1988:68-71). The term salaries are usually defined to mean compensation to office, managerial, technical and professional staff whereas the team wage implies remuneration to doing manual work.

2.5 The Element of Salary and Wages System

Salary and wages systems should have a relationship with the performance. Satisfaction and attained of goals of an individual, Anderson identified the following elements of the salary and wages system.

1. Identifying the available salary opportunities, their cost, estimating the worth of its members, their salary opportunities and communicating them to the employees.
2. Relating salary to needs and goals.
3. Developing quality, quality and time standards related to work and goals.
4. Determine the effort necessary to achieve standards.
5. Measuring the actual performance.
6. Comparing the performance within the salary received.
7. Evaluating the unsatisfied wants and needs and unrealized goals aspirations of the employees.

8. Finding out the dissatisfaction arising from unfulfilled need and unattained goals.
9. Adjusting the salary levels according with a view to enabling the employees to reach unreached goals and fulfilled needs and aspiration.

2.6 Bonus Plans

An important component of employees' earnings, beside salary, is bonus. Starting as an adhoc and exgratia payment, bonus was claimed as clearness allowance during World War II, in the course of labour history, it has metamorphosed from a reward or incentive for good work, into defendable right and just claim.

The dictionary meaning of bonus is extra payment to the workers beyond the normal wages. It is said that bonus is a share of the worker in the prosperity of an organization, (VSPRAS, Human Resource Management. 2nd edition).

Bonus plans are generally more effective than salary plan especially the first objective of linking pay and performance. As bonus plans are related to current performance of employees. Salary plans are often related to past performance. However, proper management is attempting to relate non-pay rewards to performance, group and total organization plan which are more suitable than individual plans (Lawler, 1988:68-71).

2.7 Fringe Benefits

The term fringe benefit refers to the extra benefit provided to employees in addition to the normal compensation paid in the form of wages of salaries.

Many years ago, benefit and service were labelled fringe benefit because they were relatively insignificant or fringe component. However, the situation now is different, as these have

more or less become important components of a comprehensive compensation package offered by employers to employees.

The main features to fringe benefits as they stand today may stated thus:

-) They are supplementary form of compensation.
-) They help raise the living conditions of employees.
-) They may be statutory or a voluntary. Provident fund is statutory benefit whereas transport is voluntary benefit.
-) They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance. (VSPRAO, Human Resource Management, text and cases 2nd edition).

With regards to fringe benefits, organizations in United States spend approximately \$610 billion annually on employee benefits which is IBM's recreation programs for employees and general mills picnic grounds are entirely financial.

The major financial fringe benefit in many organizations is the pension plan. For most employees, opportunity to participate in the pension plans, health insurance and vacations and vacations are not usually contingent on the performance of employees: in most cases, they are based on based on seniority and attendance, (McClelland, 1961).

2.8 Promotion

Promotions for employees do not happen often: some never experience even one in their careers. Criteria used are mostly performance and seniority, and if performance can be accurately assessed. It is often give significant weight in promotions reward allocation. Whereas extrinsic rewards are predominantly used by most organizations others use intrinsic

rewards of non-financial rewards which by most organizations other use completion of task achievement and autonomy. The ability to start and finish a project or job is important to some individuals. These people value task completion. The effect that completing a task has on a person is a form of self – reward (McClelland, 1961).

2.9 Achievement of Task

Achievement is a self-administrated reward that is derived from reaching a challenging goal. McClelland, (1961), has described individual differences in those striving for achievement. According to him some seek challenging goals while other seeks moderate goals. In goals – setting programmes, difficult goals may result in high level or individual performance than moderate ones.

2.10 Employees Autonomy over Job

Some people want jobs that provide them with the right and privileges: they want to cooperate without being closely supervised. A feeling of autonomy could result from the freedom to be what the employee considers best in a particular situation. Nevertheless, in jobs that are highly structured and controlled by management, it is difficult to create task that lead to a feeling of autonomy, (McClelland, 1961).

2.11 Employee Personal Growth

The personal growth of any individual is unique. Identify is built initially in the private sphere and continues to develop in the public sphere, particularly in the workplace. Work therefore becomes ‘a crystallizing medium for identify’. Through their work individual can define themselves as human beings and confirm their development. In the public sphere, identity is built through others perception of us, and especially the self-perception they mirror

back to us. Employees' recognition can promote identity development by putting individuals in a position light and acting as a catalyst for personal growth.

2.12 Source of Meaning in Work

Employees recognition also helps make work meaningful giving it a renewed sense of dignity and the ability to be a source of pleasure and satisfaction more than the completion of task for financial reward; work becomes a source of meaning.

) Self-esteem Booster

Recognition helps reinforce employee's sense of personal skill and self-esteem. Daily expressions of gratitude and an appreciation of know-how lead employee to see themselves in a position light and understand their value within the organization.

) Increased Motivation and Satisfaction'

Bourcier & Palobart (1997) highlight the importance of employee recognition as a source of motivate and satisfaction. When employees believe they have a well-defined place within the organization and their contribution is fully appreciated they are more apt to dedicate themselves to their work and feel motivated to do their best. Motivation drives action, in some sense and determines work behaviours. Also fosters a feeling satisfaction and motivation, recognition has a positive impact on company productivity and performance (Applebaum & Kamal, 2000).

Employees' Performance

) Mental Health

Work can directly affect employee's mental health. Mental health at work refers to workers sense of psychological, physical, and emotional wellbeing or wellbeing at work. According to

a study conducted by the Chair in Occupational Health and Safety, management at University Laval, the level of psychological distress of hospital university, forest and metallurgy industry workers is 43% more than double the rate for all Quebecers (20%) (Brun et al, 2002). Among the factors cited as causes of this stress, lack of employee recognition comes in second, right behind overwork. In short, the lack of employee recognition may be considered as a leading risk factor for high psychological distress at work (www.google.com).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section gives a brief description of how the researchers will go about the various aspects of the research work in order to achieve the objectives. It identifies the population for the purpose of the study and describes the techniques or instruments used the data collection procedures.

3.1 Source of Data

For comprehensive of this study, different methods will be employed in acquiring data. With this, primary and secondary data relevant to the study will be collected.

3.2 Research Design

To achieve the objectives, a descriptive such as personal interviews and questionnaires were employed as the major techniques for primary data collection to answer research questions that guide the study. With secondary data, information will be obtained from books, magazines, journals, research works and even from the internet.

Again, descriptive study was considered and used to gather information. Thus, information was obtained from books, magazines, journals, research work and even from the internet.

3.3 Population

The population of the study was respondents from Atwima Mponua Rural Bank Limited, management and staff of the bank. These groups of people forms the focus of the study into consideration of the fact that they are either involved in management or they are members of staff who interest in the effect of the reward system.

3.4 Sample Size and Sampling Technique

Considering the size of the population in the catchment area and the time available for the writing of this project work, a sample of fifty-four (54) workers were selected and questionnaires administered. Nine employees each were selected from six branches of the Bank.

-) Toase
-) Abuakwa
-) Suame
-) Kejetia
-) Bantama
-) Akropong

The sample technique employed is the simple random sample which will give some employee of the organization an equal opportunity to be among the respondents.

3.5 Research Instrument

A set of questionnaires was constructed and administered to employees in order to give the researchers the opportunity to establish rapport, to explain the purpose of the study and when required explain the terms that may not be clear to respondents. Both close and open-ended questions were used. In some cases, to test the accuracy of the data, the researcher interviewed respondents on certain items.

3.6 Data Analysis and Presentation

The data collected from respondents will be edited and coded for analysis. The analysis will be made with the use of computer programs like SPSS, Microsoft excel and Microsoft word. The results will be illustrated by the use of tables, graphs and percentages.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Data Analysis

This chapter presents data gathered from administered questionnaires and unstructured interview conducted to find the effects of rewards systems on employee performance within Atwima Mponua Rural Bank Limited. The general objectives of this study was to examine the effect of reward systems on employees performance in Atwima Mponua Rural Bank Limited, the specific objectives were to investigate the various rewards systems, find out the administration of these reward policies and make suggestions and recommendations.

Primary and Secondary source of data collection were employed. The primary data source included self-administered and unstructured interview. This was conducted using the sample administered questions consisted of 2 questions for employees of 10 question for managers.

The structured in interviews revealed the general operations and background information of Atwima Mponua Rural Bank, Toase Ashanti. The company is divided into the operational core and managerial core and specific functions. Interviews showed that the company was bedevilled with some level of bad loans due to lack of motivation by management of officers in the Project Office who are directly in charge granting loans to the customers. With a workforce of 92, the company lacks the commitment to improve the level of loan recovery.

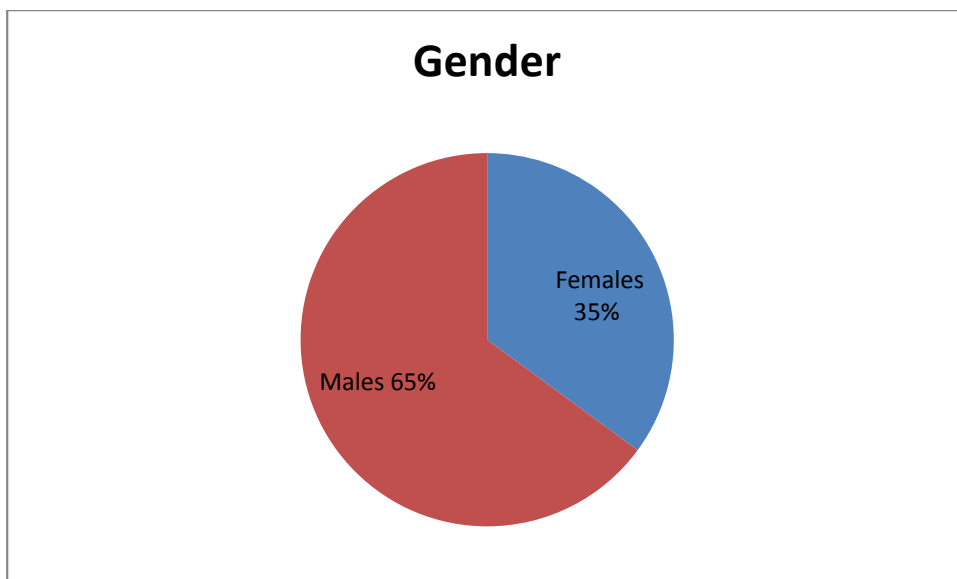
Table 1: Socio-Demographic Characteristics Of Employees

		AGE			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 25	7	13.0	13.0	13.0
	less than 35	35	64.8	64.8	77.8
	less than 45	10	18.5	18.5	96.3
	less than 60	1	1.9	1.9	98.1
	above 60	1	1.9	1.9	100.0
	Total	54	100.0	100.0	

Source: field survey, April 2015

Sex is relevant in this research because the researcher wants to ensure gender balance in order to obtain a balanced view from both genders.

From table 1, out of fifty-four (54) employees, thirty-one (30) were males who constituted majority of the workforce while twenty-four (24) were females representing the minority of the workforce. This means gender equality was taken into consideration. From this, we can infer that gender was fairly represented in the study.



In analysing the range of the employees, out of fifty-four (54) respondents, employees whose age were less than 25 (youthful workforce) were seven (7) (i.e.3 males and 4females), employees whose age were less than35 (productive workforce) and accumulative total of thirty-four (34) respondents (18 males and 16 females),employees whose age were less than 45 (aging workforce) were 10 (6males and 4females),employees whose age were less than 60 were one (1) and those employees above 60 were two (2 males).

Consequently, information revealed that the active workforce i.e. Employee between the ages of 22-45 formed a majority of the employee's population. This would mean that the aging population of three (3) employees needs to be rewarded properly since their work input may decline with and therefore need to be boosted through pension plans, health insurance and recognition. Table 1 implies that the company needs to make human resource plan for employees who are due for retirements, transfers, turnover and death by using annual estimates of aging employees as a determinant.

Again, a proper succession plan needs to be prepared so that employees will know key positions to occupy in future.

Gender and age differences also revealed that, the company was a male dominated one. This implied that, there must be an equitable distribution of rewards regardless of the differences, and management must also value diversity in workforce. Research indicated that employers are under constant pressure to ensure equality for women and physically challenged workers (minority groups) with respect to employment, advancement opportunities and rewards. They need to accommodate working mothers and fathers through parental leaves, part-time employment, flexible work schedules, job sharing and telecommunicating and child care assistance ([http://bohlander, swlearning.com](http://bohlander.swlearning.com)).

4.2 Types of Rewards Administration in the organization

Table2: Types of Rewards Administered

which of the following rewards is administered in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	promotion	16	29.6	30.2	30.2
	fringe benefits	13	24.1	24.5	54.7
	wages and salaries	9	16.7	17.5	71.7
	bonus plans	15	27.8	28.3	100.0
	Total	53	98.1	100.0	
Missing	System	1	1.9		
Total		54	100.0		

Source, field survey, April 2015

In line with the objectives of the study, the types of reward administered in the organization were of much concern. From table 2, 16 (sixteen) employees said that one major reward in the organization was promotion which formed 29.60% of the respondent population. Thirteen (13) responding that fringe benefit existed forming 24.10% of respondents. Wages and salaries as a type of reward were answered by nine (9) employees (17.50%) and bonus was answered by fifteen (15) employees (27.80%).

It is evident that promotion is the highest types of reward administered. Fringe benefits and bonus plans also gained high percentages with wages and salaries being on the low. Information gathered from the unstructured interview revealed that most employees performed creditably well when promoted and this is evident in the responses of employees. This helped to boost work out-put in the organisation.

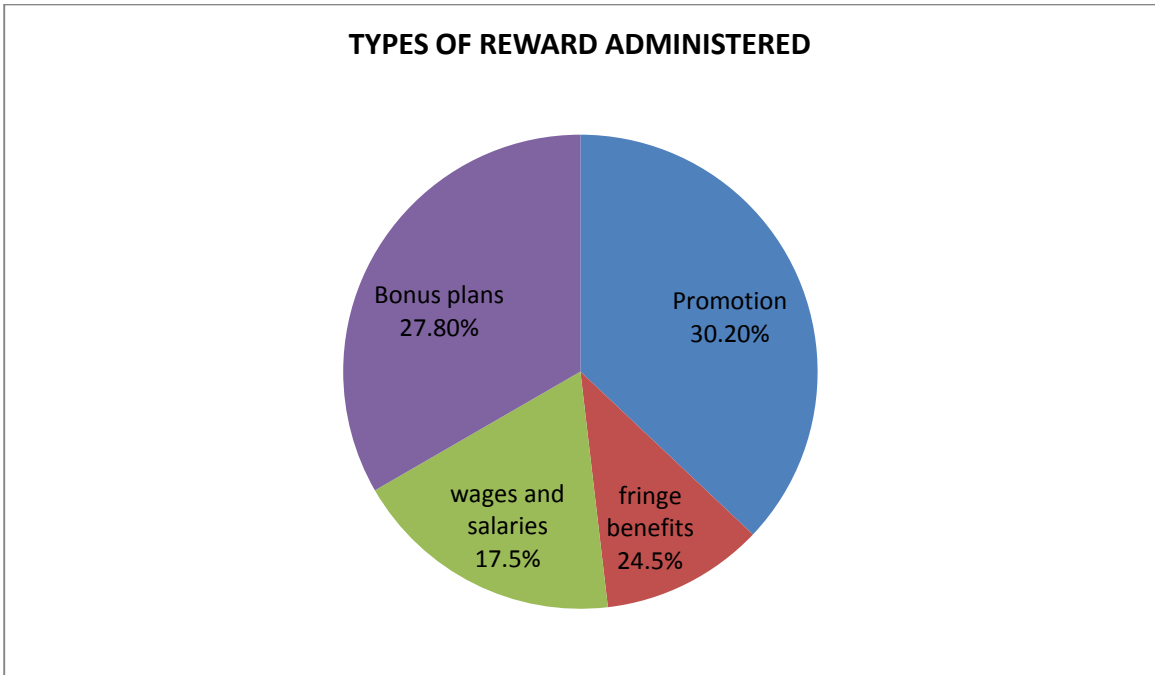


Fig. 2: A pie chart showing the various types of rewards administered in the organization.

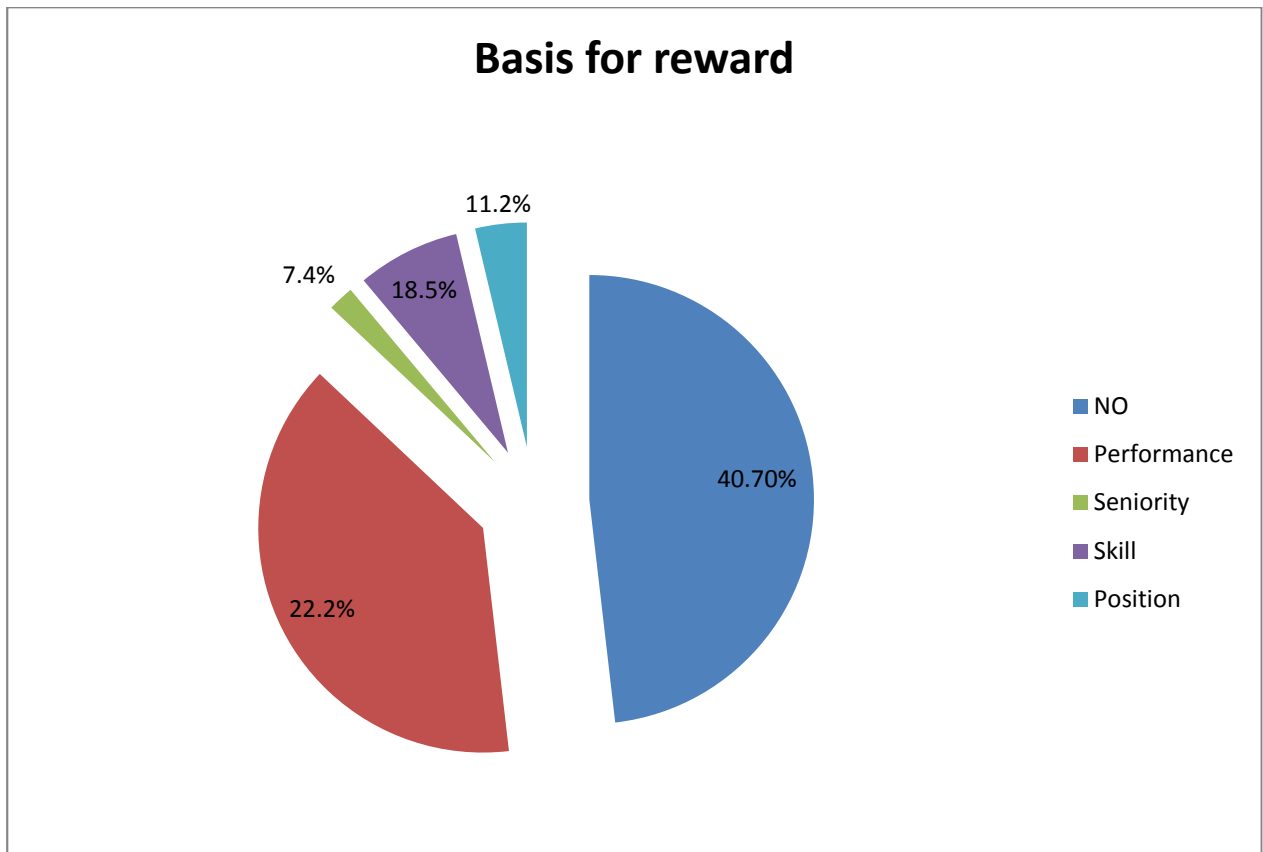
4.3 Reward administration and the basis of rewards

Table 3: A cross tabulation between ‘Have you been rewarded before’ and ‘if yes, on what basis.

if yes, on which of the following basis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	skills	10	18.5	31.2	31.2
	seniority	4	7.4	12.5	43.8
	performance	12	22.2	37.5	81.2
	position	6	11.2	18.8	100.0
	Total	32	59.3	100.0	
Missing	System	22	40.7		
Total		54	100.0		

Source, field survey, April 2015



Survey, April 2015

The aim of this section is to find out whether or not the type of rewards identified is administered in the organization and on what basis these rewards were allocated.

That is, whether on performance, position, seniority and skills from table 3, it has been represented that out of the total of fifty-four (54) employees, twenty-eight (32) answered in the affirmative represent 51.85% of employees and twenty-six (22) responded in the negative representing 48.15% of the employees selected. This shows that at least there is some form of reward system administered in the organization because greater percentage answered in the affirmative as being rewarded before (51.85%).

On the basis of the reward administration, Twelve (12) employees (22.20%) were rewarded based on performance. Reward based on position were (6) employees 11.20%, seniority (4) employees 7.4% and skill (10) employees 18.5%.

These attested to the fact that rewards did exist in the organization but was mostly dependent on performance. That is reward was mostly awarded on merit and this helped improve employees' performance towards attainment of organizational goals. Efforts must be made, however, to reward employees based on position.

4.4 Equitability or Fairness in Reward Distributed and Barriers in Allocation of Rewards.

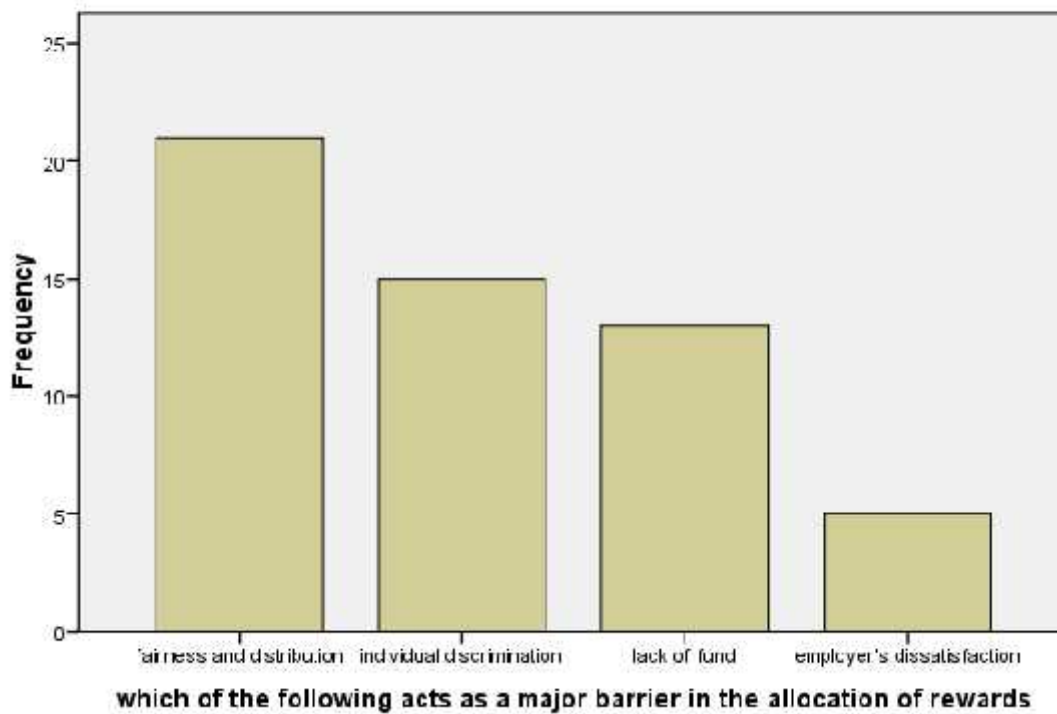
Table 4

How equitable or fair are rewards distributed in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Highly satisfactory	9	16.7	16.7	16.7
satisfactory	29	53.7	53.7	70.4
Unsatisfactory	13	24.1	24.1	94.4
Poor	3	5.6	5.6	100.0
Total	54	100.0	100.0	

Source, field survey, April 2015

which of the following acts as a major barrier in the allocation of rewards



Source Field Survey, April 2015

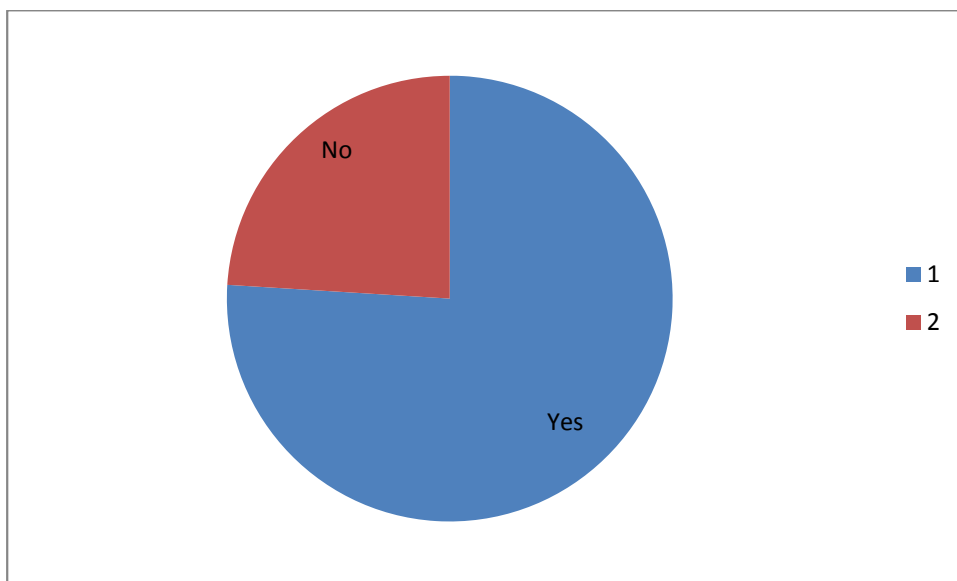
This table tries to find out the barriers involved in allocating rewards and equitability in rewards distribution.

Table 4 indicates how rewards were distributed. Ten (9) employees responded in the affirmative as highly satisfied representing 16.70%, twenty-nine (29) were satisfied forming 53.70%, of the employees' respondent population. Those who were unsatisfied were thirteen (13) forming 24.10% while those who responded that reward distribution was poor were three (3) representing 5.60%. Employees who were satisfied with rewards distribution constituted 70.40% of the total number of employees. Although 29.60% indicated that, the reward distribution was bad, this formed one-third of the total number of employee and it is clear that, rewards somewhat was equitability distributed in the organization.

However, there was more room for improvement since equitability is very minimal and also eventually de-motivates employees to perform. In case therefore be inferred that, there may be some bottlenecks in the allocation of rewards in Atwima Mponua Rural Bank Limited.

4.5 Increase in performance as a result of rewards allocated to employees

Figure 2: A pie chart showing response to increase in performance due to rewards allocation



Having you witness any increase in performance as a result of reward allocation to employees?

Figure 2 illustrates the increase in employees' performance as a result of reward allocated to them. Forty-one (41) out of the fifty-four (54) employees indicated that they have noticed an increase in performance as result of reward allocation whilst thirteen (13) of the employees stated they have not noticed increase in performance as a result of rewards, from the figure, majority of the employees said that they witness an increase in performance as a result of reward and this could be that reward in Atwima Mponua Rural Bank Limited.

4.5 Efforts Recognition and Employee Performance

Table 5: Response to effort recognition and appreciation by manager after a difficult task has been performance.

	Frequency	Percent
Yes	44	81.50
No	10	18.50

Source Field Survey, April 2015

4.6 Feeling when efforts are recognized by your manager after a difficult task has been performed.

Table 6: which of the following would you appreciate after the performance of a difficult task

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	simple "Thank you"	7	13.0	14.0	14.0
	Pay rewards	9	16.7	18.0	32.0
	An award	8	14.8	16.0	48.0
	recognition	26	48.1	52.0	100.0
	Total	50	92.6	100.0	
Missing	System	4	7.4		
Total		54	100.0		

Source Field Survey, April 2015

Table 5 indicated how employee felt performed when their efforts were recognized. Fifty (50) of the employees' efforts were recognized representing 92.60% and four (4) employees admitted that their efforts were not recognized forming 7.40%.

It can be deducted that, employees' efforts were recognized and appreciated hence there is the likelihood that their performance will be high.

4.7 Reward to be introduced if there isn't any

Table 7: What kind of reward would you like management to introduce to employees, if there isn't any? Comment

	frequency	Percentage
Increase in salaries	9	16.70
Accommodation	2	3.7
Scholarship	8	14.81
Holiday trip	3	5.60
Good conditions of service	1	1.85
Bonus reward	4	7.41
Promotion	8	14.81
Medical care	2	3.70
Recognition	5	9.26
Retirement benefit	2	3.70
Performance appraisal	2	3.70
Exchange programme	2	3.70
\Target setting	1	1.85
Award system	1	1.85
Shares	2	3.70
None	2	3.70

Source Field Survey, April 2015

On the basis of reward to be introduced, 9 employees (16.70) suggested an increase in salaries. Scholarship and promotions were answered by 8 people each totalling 29.62%. 2 persons opted for accommodation (3.70%), holiday trip, medical care, retirement benefit, exchange programmes, appraisal, shares and none had 2 totalling 22.20%. 4 respondents answerer Bonus reward making 7.41%. one respondent each asked for good conditions of service, award system, target setting totalled 9.26%

It can, therefore, be inferred from the table that, majority of the employees responded they anticipated increase in salary. This could be because of high cost of living and other economic hardships.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

5.1 Finding of Study

Out of the fifty-four employees (54) being the highest frequency stated that, reward system administered most in Atwima Mponua Rural Bank Limited was promotion. It was therefore found out that employees are mostly rewarded with promotional packages. This was done on the basis of performance since out of the fifty-four (54) employees who stated they have been rewarded before; twenty-five (25) representing 64.1% indicated that rewards were based on performance. It was found out that, majority of the employees wanted the bank to increase their salaries as part of their reward packages even though they stated their efforts are recognized, this would in turn motivate them to be highly productive hence a salaries was of much concern to employees.

Though there existed other forms of administrative rewards policies, it was found that Atwima Mponua Rural Bank Limited, administered its rewards based on the findings of performance appraisals. With this avenue, employees' performance was assessed and demanding employees were rewarded with promotions to higher position. There are issues of increase in performance as a result of reward allocation.

5.2 Summary of Findings

The general objective of the research was to find out the effect of reward system on employee performance in the organization. And the specific objectives of the study were;

- i. To investigate the various types of reward systems in Atwima Mponua Rural Bank Limited.

- ii. To find out the administration of reward policies in Atwima Mponua Rural Bank Limited.
- iii. To make suggestions and recommendations.

In general, the aim was to find out the types of rewards systems, their administration and suggest possible solution to them.

The following were finding gathered from the study;

- i. From the study it was realized that, employees were rewarded mostly with promotions and it was based on performance.
- ii. Though there were other forms of rewards in Atwima Mponua Rural Bank Limited, employees preferred increase salaries to be introduces as a major from of reward.
- iii. Atwima Mponua Rural Bank Limited-Toase administered its reward based on the findings of performance appraisals conducted on quarterly basis.
- iv. Both extrinsic and extrinsic rewards were administered in Atwima Mponua Rural Bank Limited.
- v. Both extrinsic and intrinsic rewards were administered in Atwima Mponua Rural Bank Limited.

5.3 CONCLUSION

Increasingly, organizations are realizing that they have established an equitable balance between the employees' contribution and the organization's contribution to the employees. Establishing this balance is one of the main reasons to rewards and recognize employees. Origination that follow a strategic approach to creating this balance focus on the three main components of a reward system, which included, compensation, benefits and recognition (Deeprise, 1994). The main aim of this was to investigate the impact of rewards on employee performance in Atwima Mponua Rural Bank.

The following conclusions were drawn from the findings and discussion of the study. It has shown that fifty-four (54) respondent 100% of the sample employees' population indicated the both intrinsic and extrinsic types of reward in the organization. Since high morale and productivity go hand in hand, it is therefore incumbent on managers to constitute various kinds of rewards and rewards employees when they hit organization targets and stretched standards set. This could help employees directly connect the system of reward behaviour and high performance. Rewards types indicate are promotions, fringe benefits, wages and salaries, and bonus plans.

If the fifty-four (54) respondents samples for the study, thirty (31) representing 57.5% claimed they have been positively rewarded and twenty-three (23) representing 42.5% of the respondents responded in the negative. From this indication, a large number of employees have in one way or the other have been rewarded before, hence the existence of reward administration in the Atwima Mponua Rural Bank.

In the administration of rewards, much depends on the basis which it is undertaken. Promotions for employees did not happen often; some never experienced even one in their careers. The criterion used was mostly performance and if performance can be accurately assessed, it often gave significant weight in promotion-reward. With reference to respondents' response on what determined the basis for promotion whether on performance, seniority, position or skills twenty-five (25) employees representing 64.1% indicated that it was based on performance which comprised the greater number of respondents, Therefore much of the reward administration was based on performance.

In terms of how equitable rewards are distributed twenty-nine (29) were satisfied forming 53.7% of the sample employee population ,and those who responded that reward distributed was poor were three (3) representing 5.6% .Organizational conflict sometimes arose as a result of improper or unfair distribution of reward and could be seen as reward bases (thus, methods for distributing reward in the Organization) such as equity, power and equality conflict in reward policy (policy concerning type, amount and way rewards are distributed). Although 5.6% indicated that the reward distributed was poor, this formed about only one – fourth of the population and it is clear that rewards were somewhat equitably distributed in the Organization and therefore needs improvement.

In every Organization, barriers exist in the allocation of rewards; the greater number of sampled employed population of eighteen (18) attributed barriers in allocation of rewards to lack of funds which formed 33.3%.We can therefore conclude that, lack of fund is a major barrier in the allocation of reward in Atwima Mponua Rural Bank Limited.

Studies that have been conducted on the topic indicated that the most common problem in Organizations today is that ,they miss the important component of recognition ,which is the low-cost ,high return ingredient to a well- balance reward system .A key focus of recognition

is to make employees feel appreciated and valued.(Sarvadi 2005).Research has proved that ,employees who get recognise tend to have higher self –esteem ,more confidence more willingness to take new challenges and more eagerness to be innovative. (Mason, 2001)

Employees response to the introduction of rewards if there isn't any indicated that eight (8) recommended increase in salaries representing 14.9 % of the sample population. Three (3) suggested provision of accommodation representing 5.5% while six (6) advocated for scholarship scheme representing 11.1%, Three (3) for holiday trip representing 5.5 % and four (4) recommended bonus representing 7.4%. Four (4) advocated for exchange programmes representing 7.4% while six (6) recommended recognition representing 11.1%.

From the illustration above out of the fifty-four (54) sampled population employees thirty-four (34) gave a valid indication of the situation on the ground . We can therefore infer that the above listed types of reward are non-existent in the Organization hence the need to be introduced into the company to boost performance of the employees.

5.3 RECOMMENDATIONS

These findings have paved for some recommendations to help improve the reward system in the administration and how reward can help employees performance at Atwima Mponua Rural Bank Limited, to enable the Company reach its objectives.

- Rewarding the employees should be done across board in the Organization and should be non-discriminating. People should be rewarded based on the value of their contribution to the Organization. With this every performance would improve if employees believe that efforts intended on task would be rewarded accordingly.
- Since the Organization is financially under-resourced ,management of the Organization most improve upon the Company's performance by making more profit to support the Organization's reward system
- The salary budget of the Bank earmarked by the Board of Directors must be large enough to reward and reinforce exceptional performance.
- The Organization must introduce new rewards types like accommodation, holiday trip scholarship for education and increase in workers' salaries among others. All these forms of reward are the necessary catalysts which would help boost employee performance in realizing the objectives of the Company.

Measurement is keen to the success of reward administration because it communicates the importance of organizational goal. This is because what get measured and rewarded gets attention .For example if organization desire to be a leader in quality delivery then performance index may focus in customer satisfaction ,timeless, or been error free . For some organizations, linking reward to formalize performance measure has not obtained positive results for the employees or

organization .Failure can often be traced to the choice of performance measures. In selecting a performance measure, the management must evaluate the extent to which employees involved can actually be influenced by the measurement

- Overall cost of reward system administrated must be taken into consideration. Per head cost for each employee rewarded must be calculated to allow the company to make annual estimate to assess improvement whether it is low, stable or high.
- Suggestion boxes could be provided at vantage points to solicit views of employees concerning the types of reward to be introduced and any other suggestion.
- Recognition efforts should also be improve by management to boost the morale of the employees in the organization to help achieve the goals of the Bank.
- In other to ensure that proper work is done supervision should be on daily basis.

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www.google.com (31st may 2015)

Questionnaire for sourcing information at Atwima Mponua Rural Bank. This questionnaire has been designed to solicit information for purely academic purposes. This is to enable us final year students of Christian Service University College, to complete our thesis on the topic: the effects of reward system on employee performance: a case study of Atwima Mponua Rural Bank), in pursuance of a degree in Business Administration (Human Resource Management). All Information given would be treated with utmost confidentiality.

Please tick the appreciation response in the space provided.

1. Age: a. less than 25 b. less than 35 c. less than 45
d. less than 60 e. above 60
2. Gender: Male Female
3. How many years have you been with this organization?
a. 1-2years b. 3-4years c. 5years or more
4. Have you been reward before? a. Yes b. No
5. If yes, on that basis?
a. Performance Position Seniority Skill
6. How equitable or fair are rewards distributed in the organization?
a. Highly Satisfactory b. Satisfactory c. Unsatisfactory
b. d. Poor
7. In terms of salary – based rewards. How is it administrated?
a. Performance based b. Length of service c. Promotion
b. d. None of the above
8. Are rewards administrated based on employee choice?
a. Yes b. No

9. If yes, what kind of rewards will you choose?

- a. Promotion b. Further studies c. Car

10. How often does management monitor your performance?

.....

.....

.....

.....

11. How do manager monitor performances before/after rewards are administered to employees?

- a. supervision b. growth in productivity
 c. through performance appraisal d. all the above

12. Do you compare your rewards with other employees?

- a. Yes b. No

13. If yes, on which of the following basis?

- a. skills b. seniority c. performance

14. Which of the following rewards is administrated in the organisation?

- a. Promotion b. fringe benefits c. wages & salaries bonus plans

15. Which of the following acts as a major barrier in the allocation of rewards?

- a. fairness and distribution b. individual discrimination
 c. lack of fund d. employer's dissatisfaction

16. As an employee, which of these types of reward motivate you to perform?

- a. achievement of key challenging goal or task
 b. having autonomy to operate without supervision
 c. completion of task within time set
 d. all the above

17. Are your efforts recognized and appreciated by manager after a difficult task has been performed?

a. Yes . No

18. Which of the following would you appreciate or value after the performance of a difficult task?

a. simple 'thank you' b. pay rewards c. an award d. recognition

19. What kind of reward would you like management to introduce to employees, if there isn't any?

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