

# Influence of Rewards and Recognition on Employee Performance

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## ABSTRACT

Employee performance is one of the most critical determinants of organizational success. Organizations continuously seek effective strategies to improve employee productivity, commitment, and job satisfaction. Among the various motivational tools available, rewards and recognition have emerged as powerful mechanisms for enhancing employee performance. The present study investigates the influence of rewards and recognition on employee performance among employees working in different organizations. The study examines how financial rewards, non-financial rewards, appreciation, promotions, incentives, and recognition programs affect employee motivation and productivity. Data were collected from 120 employees through a structured questionnaire. The findings revealed that employees who receive regular rewards and recognition demonstrate higher levels of motivation, job satisfaction, organizational commitment, and work performance compared to employees who receive limited recognition. The study concludes that effective reward and recognition systems contribute significantly to organizational productivity and employee retention. Organizations should therefore develop fair, transparent, and performance-based reward systems to maximize employee potential and achieve long-term organizational objectives.

**KEYWORDS:** *Employee performance, rewards, recognition, motivation, job satisfaction, organizational commitment, productivity.*

## INTRODUCTION

Human resources are considered one of the most valuable assets of any organization. The success and sustainability of an organization largely depend upon the effectiveness, commitment, and productivity of its employees. In today's highly competitive business environment, organizations strive to attract, motivate, and retain talented employees who can contribute to organizational growth and competitiveness. One of the most effective ways to achieve this objective is through the implementation of appropriate reward and recognition systems.

Rewards and recognition play a vital role in influencing employee behavior and performance. Rewards refer to tangible and intangible benefits provided to employees in return for their contributions and achievements. Recognition refers to the acknowledgment and appreciation of employees' efforts, accomplishments, and dedication. Together, rewards and recognition create a positive work

environment that encourages employees to perform at their highest potential (Armstrong, 2021).

Employee performance refers to the degree to which employees successfully fulfill their assigned responsibilities and contribute toward organizational goals. High-performing employees are generally more productive, innovative, and committed to organizational success. However, employee performance is influenced by several factors, including motivation, job satisfaction, leadership, organizational culture, and reward systems (Robbins & Judge, 2019).

Motivation theories have consistently highlighted the importance of rewards and recognition in enhancing employee performance. According to Herzberg's Two-Factor Theory, recognition and achievement are key motivational factors that lead to job satisfaction and improved performance (Herzberg, 1968). Similarly, Maslow's Hierarchy of Needs suggests that recognition fulfills esteem needs, thereby motivating

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individuals to achieve higher levels of performance (Maslow, 1943).

In modern organizations, employees expect more than just monetary compensation. They seek appreciation, respect, opportunities for growth, and acknowledgment of their contributions. Recognition programs such as employee-of-the-month awards, public appreciation, certificates, promotions, bonuses, and performance incentives have become increasingly important in maintaining employee engagement and morale.

Several studies have demonstrated that employees who feel valued and appreciated are more likely to exhibit positive workplace behaviors, higher productivity, and stronger organizational commitment (Nelson, 2005). Conversely, lack of recognition often results in dissatisfaction, decreased motivation, absenteeism, and employee turnover.

Young employees, in particular, place significant importance on recognition and career advancement opportunities. As organizations increasingly rely on skilled and knowledge-based workers, understanding the relationship between rewards, recognition, and employee performance becomes essential for effective human resource management.

Herzberg (1968) proposed that recognition, achievement, and advancement are major motivators that encourage employees to improve performance and increase job satisfaction.

Maslow (1943) suggested that human beings seek esteem and self-actualization needs after fulfilling basic needs. Recognition fulfills employees' esteem needs and motivates higher performance.

Lawler (2003) emphasized that reward systems directly influence employee attitudes, motivation, and organizational commitment. Effective reward systems align employee goals with organizational objectives. Nelson (2005) reported that employee recognition significantly improves morale, engagement, and productivity. Employees who receive regular appreciation tend to demonstrate stronger commitment toward organizational goals. Armstrong (2021) stated that strategic reward management is

essential for attracting, retaining, and motivating talented employees in modern organizations. Robbins and Judge (2019) observed that organizations implementing performance-based reward systems experience higher levels of employee satisfaction and productivity.

The present study aims to examine the influence of rewards and recognition on employee performance and to identify the most effective reward mechanisms for enhancing employee productivity and organizational success.

### Objectives of the Study

1. To examine the influence of rewards on employee performance.
2. To analyze the impact of recognition on employee motivation.
3. To determine the relationship between rewards, recognition, and job satisfaction.
4. To identify effective reward and recognition strategies for improving organizational productivity.

### Materials and Methods

#### Study Area

The study was conducted among employees working in private and service-sector organizations.

#### Sample Size

A total of 120 employees aged between 22 and 45 years were randomly selected.

#### Data Collection

##### Primary Data

Data were collected using structured questionnaires via google forms and telephonic interview and personal interviews.

##### Secondary Data

Secondary information was obtained from books, journals, research articles, and organizational reports.

#### Statistical Analysis

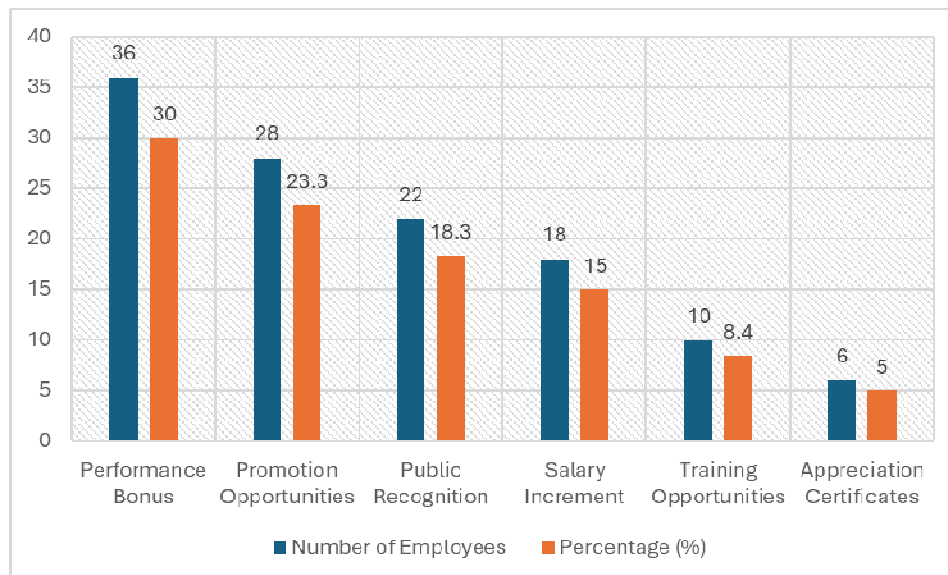
Data were analyzed using percentage analysis, mean values, and correlation methods to evaluate the relationship between rewards, recognition, and employee performance.

### Results

The following results were obtained after study

**Table 1: Types of Rewards Preferred by Employees**

Reward Type	Number of Employees	Percentage (%)
Performance Bonus	36	30.0
Promotion Opportunities	28	23.3
Public Recognition	22	18.3
Salary Increment	18	15.0
Training Opportunities	10	8.4
Appreciation Certificates	6	5.0



**Graph1: Graphical representation of data represented in table 1**

The results indicate that performance bonuses were the most preferred form of reward, accounting for 30% of employee responses. Promotion opportunities and public recognition were also highly valued by employees. These findings suggest that employees appreciate both financial and non-financial rewards that acknowledge their contributions and support career growth.

**Table 2: Impact of Rewards and Recognition on Employee Performance**

Level of Recognition	Number of Employees	Average Performance Score
High Recognition	42	88
Moderate Recognition	46	74
Low Recognition	32	58

The findings reveal a positive relationship between recognition and employee performance. Employees who reported receiving high levels of recognition demonstrated significantly higher performance scores than employees receiving moderate or low recognition.

Employees experiencing high recognition exhibited greater enthusiasm, stronger commitment, improved teamwork, and better problem-solving abilities. In contrast, employees receiving limited recognition often reported reduced motivation and lower levels of job engagement.

**Table 3: Perceived Benefits of Rewards and Recognition**

Benefit	Percentage (%)
Increased Motivation	81
Higher Job Satisfaction	76
Improved Productivity	72
Better Organizational Commitment	68
Reduced Turnover Intention	63
Enhanced Teamwork	57

The data indicate that increased motivation was the most significant benefit reported by employees. More than three-fourths of respondents believed that rewards and recognition positively influenced their enthusiasm and willingness to perform better. Higher job satisfaction and improved productivity were also frequently reported benefits.

**Discussion**

The findings of the present study clearly demonstrate that rewards and recognition have a substantial positive influence on employee performance. The results indicate that employees who receive appropriate rewards and regular recognition exhibit higher levels of motivation, productivity,

organizational commitment, and job satisfaction than employees who receive limited acknowledgment for their contributions. These findings support the growing body of literature emphasizing the importance of reward management and employee recognition in achieving organizational success.

One of the most significant findings of the study is that performance-based rewards are highly valued by employees. The majority of respondents preferred performance bonuses and promotion opportunities over other forms of rewards. This finding is consistent with the work of Lawler (2003), who argued that employees are more likely to exert greater effort when rewards are directly linked to performance outcomes. Employees tend to perceive performance-based rewards as fair and motivating because such rewards acknowledge individual contributions and achievements. When employees believe that their efforts will be rewarded appropriately, they become more committed to achieving organizational goals.

The study further revealed that recognition plays a crucial role in improving employee performance. Employees who received frequent recognition demonstrated higher performance scores compared to those who received little or no recognition. This observation supports Herzberg's Two-Factor Theory, which identifies recognition as one of the most important motivational factors contributing to job satisfaction and improved performance (Herzberg, 1968). Recognition satisfies employees' psychological needs by making them feel valued, respected, and appreciated within the organization.

Recognition contributes significantly to employee self-esteem and confidence. According to Maslow (1943), esteem needs occupy a crucial position in the hierarchy of human needs. When employees receive praise and acknowledgment for their accomplishments, they experience a sense of achievement and belonging, which encourages them to maintain or improve their performance levels. Employees who feel appreciated are more likely to take initiative, demonstrate creativity, and actively participate in organizational activities.

The results of the present study indicate that motivation is the most significant benefit associated with rewards and recognition programs. More than eighty percent of respondents reported increased motivation following recognition or reward. This finding is consistent with Vroom's Expectancy Theory, which suggests that employees are motivated when they believe that effort will lead to performance and performance will result in desirable rewards (Vroom, 1964). Employees who perceive a strong connection between effort and rewards are more likely to remain engaged and productive.

The positive relationship observed between rewards and job satisfaction is also supported by previous research. According to Armstrong (2021), reward systems influence employees' attitudes toward their

jobs and organizations. Employees who feel fairly compensated and appreciated generally experience greater satisfaction and are more likely to remain loyal to the organization. Job satisfaction contributes directly to higher productivity because satisfied employees demonstrate greater enthusiasm, dedication, and persistence in performing their duties.

The findings further suggest that rewards and recognition enhance organizational commitment. Employees who receive recognition develop stronger emotional attachments to their organizations and are more willing to contribute beyond their formal job requirements. Meyer and Allen (1997) argued that organizational commitment is strengthened when employees perceive organizational support and appreciation. Employees who believe that their contributions are valued often reciprocate through increased effort, loyalty, and cooperation.

Another important finding of the study is the influence of rewards and recognition on employee retention. A considerable proportion of respondents reported that effective recognition programs reduced their intention to leave the organization. This finding aligns with the observations of Allen, Shore, and Griffeth (2003), who found that supportive reward practices significantly reduce employee turnover intentions. Employee retention is particularly important in modern organizations because high turnover rates increase recruitment costs, disrupt workflow, and reduce organizational efficiency.

The role of non-financial rewards also emerged as a significant aspect of employee motivation. Although financial rewards such as bonuses and salary increments remain important, many respondents valued public recognition, appreciation certificates, and opportunities for professional growth. This finding supports the research of Nelson (2005), who emphasized that simple recognition practices often have a greater motivational impact than monetary rewards alone. Public acknowledgment of achievements can create feelings of pride and accomplishment that strengthen employee engagement.

Promotion opportunities were identified as one of the most preferred rewards among respondents. Career advancement opportunities signal organizational trust and confidence in employees' abilities. According to Dessler (2020), employees are more motivated when they perceive clear pathways for career growth and professional development. Promotions not only provide financial benefits but also enhance social status, responsibility, and self-confidence.

The findings also demonstrate that rewards and recognition positively influence teamwork and workplace relationships. Employees who feel appreciated are more likely to collaborate effectively with colleagues and contribute to a positive organizational culture. Recognition programs that celebrate team achievements encourage cooperation and collective responsibility. According to Cameron and Green (2019), positive workplace cultures characterized by appreciation and support contribute significantly to organizational effectiveness and employee wellbeing.

The present study further highlights the importance of fairness in reward distribution. Employees are more motivated when they perceive reward systems as equitable and transparent. Adams (1965), through Equity Theory, proposed that employees compare their rewards with those of others and evaluate fairness based on perceived equity. When employees believe that rewards are distributed fairly, they experience higher levels of satisfaction and commitment. Conversely, perceived inequity may lead to dissatisfaction, reduced motivation, and workplace conflict.

The findings also support Social Exchange Theory, which suggests that positive organizational actions generate reciprocal positive responses from employees (Blau, 1964). When organizations invest in employee recognition and rewards, employees often respond by increasing their effort, commitment, and performance. This reciprocal relationship strengthens organizational effectiveness and promotes long-term success.

An important observation of the present study is that recognition need not always involve substantial financial expenditure. Many employees reported that verbal appreciation from supervisors, public acknowledgment during meetings, and written commendations positively influenced their motivation. This finding is consistent with research conducted by Brun and Dugas (2008), who reported that recognition contributes significantly to employee wellbeing and organizational performance regardless of its monetary value.

The modern workforce, particularly younger employees, increasingly values meaningful work experiences and acknowledgment of contributions. Millennials and Generation Z employees often seek regular feedback, appreciation, and opportunities for growth rather than relying solely on financial compensation (Twenge & Campbell, 2018). Organizations that fail to recognize employee contributions may struggle to maintain engagement and retain talented workers.

The study findings suggest that organizations should adopt comprehensive reward strategies that combine both financial and non-financial rewards. Financial incentives provide immediate motivation, while recognition programs foster long-term engagement and emotional commitment. According to Milkovich, Newman, and Gerhart (2020), effective reward systems integrate compensation, recognition, development opportunities, and performance management to maximize employee motivation.

Furthermore, managers play a crucial role in implementing successful recognition programs. Leadership behaviors significantly influence employee perceptions of recognition and appreciation. Leaders who regularly acknowledge employee contributions create supportive work environments that encourage high performance. Research by Northouse (2022) indicates that transformational leaders effectively use recognition and encouragement to inspire employees and enhance organizational performance.

The positive impact of rewards and recognition on productivity observed in this study is also supported by behavioral reinforcement theory. Skinner (1953) proposed that behaviors followed by positive consequences are likely to be repeated. Employees who receive rewards for outstanding performance are more likely to continue demonstrating productive behaviors. Recognition reinforces desirable workplace actions and encourages employees to maintain high standards of performance.

The findings additionally reveal that rewards and recognition contribute to psychological wellbeing. Employees who receive acknowledgment experience lower levels of stress and greater workplace satisfaction. Positive reinforcement creates a supportive environment where employees feel respected and valued. Such environments promote psychological safety, which is essential for creativity, innovation, and employee engagement (Edmondson, 2019).

Overall, the findings of the present study strongly support the hypothesis that rewards and recognition positively influence employee performance. The results indicate that effective reward systems improve motivation, job satisfaction, productivity, organizational commitment, teamwork, and employee retention. Organizations seeking sustainable growth and competitive advantage should therefore prioritize the development of fair, transparent, and meaningful reward and recognition programs.

## Conclusion

The present study concludes that rewards and recognition significantly influence employee performance. Employees who receive appropriate rewards and regular recognition demonstrate higher levels of motivation, productivity, job satisfaction, and organizational commitment. Performance-based rewards, promotion opportunities, public appreciation, and recognition programs serve as powerful tools for enhancing employee engagement and organizational effectiveness.

The findings indicate that recognition fulfills important psychological needs, strengthens employee morale, and encourages positive workplace behaviours. Employees who feel valued and appreciated are more likely to contribute effectively toward organizational goals and remain loyal to their organizations.

Organizations should therefore establish comprehensive reward and recognition systems that combine both monetary and non-monetary incentives. Fair and transparent reward practices can improve employee wellbeing, reduce turnover intentions, and enhance overall organizational performance.

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