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Impact of Incentive on Workers' Performance in Ekiti State

Ogbogu, F. O.; Olukowade, O. J.

Department of Business Administration and Management, Federal Polytechnic, Ado-Ekiti, Nigeria

ABSTRACT

The study investigates the impact of incentives on workers' performance in Ekiti State. The objectives were: i. to examine the effect of workers' remuneration on performance of organizations and investigate the effect salaries and wages on performance of organizations. The survey research design was used in the study. The study's population is 115 employees in Ekiti State, which also determines the sample size. Tables and percentages are used extensively in the treatment and analysis of data obtained. The obtained data was displayed in a table and examined using percentages. Chi-Square was used to test the hypotheses. The findings reveal that workers' pay has no substantial influence on organizational performance and that salaries and wages have no effect on organizational performance. The study indicated that other drivers of worker performance should be investigated in order to achieve a balance of elements that would instill adequate desire to go the extra mile to complete corporate duties. According to the study, management should objectively plan, formulate, and implement pay strategies in order to improve the achievement of overall organizational goals while obtaining the best contributive and supporting impacts from organizational personnel.

KEYWORDS: *Incentive, Workers' Performance, Performance, Ekiti State*

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INTRODUCTION

An incentive is a monetary or non-monetary award that acknowledges a specific contribution made by employees. To put it another way, it's either a monetary payout or a monetary incentive given in addition to the base rate to ensure that the company's most crucial production aspects are optimized. A capital-intensive company, for example, may have a machine-use incentive. When well-designed incentive programs are implemented, they motivate and delight employees, and happy employees are more productive. A good management incentive might be monetary or non-monetary. Financial incentives are the most important incentive strategy, which includes wages and salaries, profit sharing schemes, and so forth. It is impossible to emphasize the impact of good incentive plans that contribute to employee motivation. To fulfill its objectives, every organization relies on motivation, among other things. In both the private and governmental sectors, monetary incentives such as bonuses, wages, and salary increases motivate employees to put in more effort at work, resulting in increased productivity. Employee ratings, contests, performance evaluations, production, teams and departments, shifts, commission income, and other indicators are used by most firms to enhance performance. Some researchers feel it does the opposite, rather than seeking to urge people to do better by external motivation (something other than the action itself, such as promised awards or incentives). Employers will benefit more from examining the firm as a whole and why employers seek outcomes.

OBJECTIVES OF THE STUDY

1. To examine the effect of workers' remuneration on performance of organizations
2. To investigate the effect salaries and wages on performance of organizations

HYPOTHESES

Hypothesis One

H_1: Does workers' remuneration have significant effect on the performance of organizations?

H_0: Does workers' remuneration have no significant effect on the performance of organizations?

Hypothesis One

H_1: o salaries and wages have significant effect on the performance of organizations?

H_0: Do salaries and wages have no significant effect on the performance of organizations?

LITERATURE REVIEW

Concept of Incentive

The word incentive comes from the Latin word incentivum, which means "to urge harder work." An incentive is a form of inducement or supplemental reward that serves as a motivator for a desired activity or action. An act or a commitment to do more is an incentive. It's also recognized as a catalyst for more activity. In addition to bets, bonuses are given out. It refers to a raise in pay or benefits given to an employee in recognition of their accomplishment or excellent performance. When employees are offered incentives, they are more driven to work harder. It is a common occurrence that no one behaves without a cause. As a result, the potential of a reward serves as a powerful motivation for workers. Aside from monetary incentives, there are other elements that may have an impact on behavior. This will include job satisfaction, job stability, professional growth, and pride in accomplishments.

Businesses give incentives in the form of monetary awards that are generally delivered on a regular basis. Incentives are pay that is related to performance and profit sharing, such as sharing benefits for employees as a consequence of increased productivity or cost savings (Abah, 2013).

Matocchio (2006) defined incentive as a statistic that motivates employees to put up their best effort. Incentives are payment other than basic wages and salaries that fluctuates based on employees' success of some criterion, such as a pre-determined benchmark, individual or group objectives, or organizational income, according to Matocchio (2006) and Tongo (2006). In general, incentives are changeable rewards given to employees based on their performance or accomplishments (Banjoko, 2006). According to Tongo (2006), the use of performance incentives dates back to the era of Frederick Taylor's twentieth-century scientific management movement, and the private sector has utilized incentives to boost employee productivity ever since. The incentive provision is meant to encourage employees to go above and beyond in order to get a better result. It's a tool that any employer of labor, public or private, can utilize, regardless of the job at hand. An employer, on the other hand, is free to pick from among the many forms of inducements anybody who is thought fit and affordable. Because their business is profit-driven, real estate management professionals utilize incentives to motivate staff and improve performance.

Type of Incentives

Bandiera, Barankay, and Rasul defined non-financial, financial, and semi-financial incentives (2007). Non-monetary incentive schemes are those that do not contain any kind of monetary benefit, direct or indirect, such as recognition, praise for accomplishment, or hanging a photo of the best employee of the month on the wall, a plaque for good service, or the like. However, non-monetary benefits are insufficient as standalone incentives, therefore this is only suitable to supplement financial incentives.

Semi-financial incentives are ones that give a monetary benefit but are not linked to pay directly. Examples include promotions, company automobiles, and other comparable products.

Financial incentives are the most prevalent sort of reward, and they offer the benefit of choice value, which means that employees may do whatever they want with them, providing them an edge over other incentives (Jeffrey and Schaffer, 2007).

Milgrom and Roberts (2001) also indicate that incentives can be offered to individuals as well as organizations. Employees are compensated depending on their individual achievements under individual incentive programmes. Individual incentives have been shown to be considerably more effective than group incentives (Azasu 2004). Group incentives are used to reward a group of coworkers for their joint effort in achieving a common goal. Group incentives are a way for a corporation to build a shared sense of group responsibility with the objective of achieving great and above-average results (Azasu, 2003). Short-term incentives include yearly bonuses and commissions based on performance in the period immediately before their award, whereas long-term rewards are not recognized until after a specified amount of time has elapsed (Azasu, 2003). Contributions to pension funds are examples, as are non-vested options, which require an employee to stay with the company for a set amount of time in order to realize the options, and if the employee leaves before the time period finishes, he forfeits his right to the options (Lazear, 1999). In general, there is little doubt that incentives have a positive impact on a company's output levels. Schrader and Becton (1998) looked examined the impact of three incentive systems on employee productivity and found a positive correlation between incentives and productivity. The authors discovered that in the service industry, companies with strong incentive structures create organizational hunger, whereas those with comfortable base pay foster complacency.

PERFORMANCE

Performance refers to everything that is reachable in Indonesian jargon (Hoetomo, 2005). The term "performance" comes from the terms "job performance" or "real performance," which refers to someone's labor or accomplishments. The success of a job is measured by its performance. Human performance is also influenced by one's ability, attitude, and level of motivation. Employees' work performance, which is aligned with their role in the company, is an illustration of everyone's actual conduct. According to Prawirosentono (1999), performance is the result of work that a person or group of people in an organization can accomplish in accordance with their authority and responsibility in order to achieve the relevant organization's objectives legally, without breaking the law, and in accordance with morals and ethics. While human resource management books by Robert, Mathis, and Jackson (2001) cover performance, performance is ultimately what individuals do or do not do. According to Bereje (1997), performance is defined as the quality and quantity achieved by an employee in carrying out his activities in accordance with the responsibilities allocated to him. Employees develop job performance in accordance with their role in the company, and performance is a genuine behavior that everyone shows as job performance.

WORKERS PERFORMANCE

Performance, according to Entwistle (2007), is an individual's level of work achievement after expending effort. Job performance may be defined as an activity in which an individual effectively completes the work allocated to him/her, subject to the standard limits of appropriate resource use. Work performance, according to Anarado (2015), is defined as the overall expected value from employees' activities during a certain time period. This concept, according to Ojeleye and Okoro (2016), includes special notions worth breaking down, while being quite technical: Performance is a trait of behavior, or, to put it another way, what people do at work. An employee's behavior adds expected value to the company; that is, while an employee's activities might be classified as helping or damaging the company, the repercussions of employee behaviors are seldom assessed, thus their value is only expected. Task performance and contextual performance are the two forms of performance that may be distinguished. As stated by job descriptions, task performance is the action that contributes to the transformation of raw resources into commodities and services. Some examples include selling clothing, drilling holes, and presenting a class. Contextual performance is described as action that contributes to overall effectiveness by enhancing the social and psychological climate of the workplace.

Akerele (2011) defined operational performance as a company's performance in relation to predetermined goals such as regulatory compliance, waste reduction, and productivity. Operational Performance Measurements are the major indicators used to analyze a company's operational performance, according to Egbunike (2015). Different companies employ different measures to measure their own success, but only a few of them are used across the board.

EFFECTS OF INCENTIVES ON WORKERS' PERFORMANCE

One of the most pressing concerns for most employers in both the public and private sectors is how to motivate their employees to improve their performance. The basic premise of economics is that monetary incentives improve performance. The impact of monetary incentives is frequently thought to be unmistakably positive, since more monetary incentives enhance employee performance (Adams, 2013). It is impossible to emphasize the importance of employee performance. It is commonly considered that unless employees feel motivated, they will not perform to their maximum capacity. Various strategies for inspiring people at work have been proposed by a number of academics. However, because human beings differ in terms of needs, culture, religion, and other factors, what motivates them varies. Money and other incentives motivate some employees, whereas nonfinancial factors motivate others. Recent study, according to Naseem and Khan (2011), has shown that a mix of financial and non-financial incentives can motivate individuals to do effectively at work. Managers are always seeking for new ways to create a dynamic environment in which employees will perform to their full potential in order to achieve business goals. In the workplace, monetary and non-monetary incentives are used to motivate employees. It is possible to vary monetary incentives while maintaining the same effect on associates. Employees that do well on the job are rewarded with monetary incentives (Egbunike, 2015). Because people resources are a company's most valuable asset, they must be engaged, taught, developed, and, most importantly, motivated to achieve personal and corporate objectives. Motivation is defined as the willingness to work. People are able to execute their tasks because of their drive and excitement. Money is a motivator for certain people, and the majority of people are motivated by money. Money is a major motivator in poor countries because of the high cost of living and bad quality of life. The bulk of human behaviors are motivated by a desire to make money.

Money is still the most crucial incentive, according to Hameed, Ali, and Arslan (2014). Money is the most important motivation for industrial workers to boost production, according to Hendra and Rezki (2015). He advocates for the employment of incentive wage systems to encourage workers to achieve higher levels of performance, devotion, and, ultimately, satisfaction. Money has a strong motivating effect because it represents intangible goals like as security, power, prestige, and a sense of accomplishment and success. Christopher (2015) highlights the driving power of money through the process of job choosing. He shows how money may be used to attract, retain, and encourage individuals to achieve better. Many managers, according to Anarado (2015), use money to reward or punish staff. This is achieved by incentivizing employees to produce more by instilling fear of losing their jobs (e.g., premature retirement due to poor performance). Employees may be driven by a desire to advance in their careers and earn more money. One of the most significant components in boosting an organization's performance, according to Akerele (2011), is establishing effective strategies for motivating employees. Employees who are always seeking for new ways to improve their jobs are more productive, and inspiring individuals may help them reach their full potential. As a result, rules for appropriately remunerating individuals in order to improve their motivation are considered as crucial for organizational performance (Abdul, Zubair and Arslan, 2014).

They've always been important in inspiring individuals to achieve success. Financial incentives are used to convince capable persons to join an organization in the first place, to urge them to stay, and, finally, to give an incentive for them to perform successfully (Abah, 2013). However, financial "stimulus" is simply one component of a system for motivating employees; it is not the only important one. In fact, there are various methods for increasing people's motivation to complete their jobs. It is self-evident that methods for boosting motivation are not always effective in the long run. Furthermore, a single issue can elicit a wide range of emotions in different people; what may encourage one person may demotivate another. This emphasizes the importance, if not the need, of analyzing people's needs, such as attitudes, wants, and priorities, in order to build an effective employee compensation system.

Methodology

The study used a survey research methodology. The study's population is 115 employees in Ekiti State, which also determines the study's sample size. Tables and percentages are used extensively in the treatment and analysis of data obtained. The information gathered was organized into a table and examined using percentages. Chi-Square was used to test the hypotheses.

The formula is shown below:

$$X^2 = \frac{\sum (o-e)^2}{e}$$

where X^2= Chi-Square
O= Observed frequency
E= Expected frequency

Decision rule: The alternative hypothesis (H_1) is accepted if the computed chi-square value (X_2) is larger than or equal to the table value at the 0.05 level of significance, whereas the null hypothesis (H_0) is accepted if the calculated chi-square value is less than the table value.

DATA PRESENTATION

Tables and percentages are used to display and analyze this study project. This will allow the researcher to come to a solid conclusion on the research issue.

Table 1: Does workers' remuneration have significant effect on the performance of organizations?

Options	Number of frequency	Percentage (%)
Strongly agree	55	48
Agree	35	30
Disagree	15	13
Strongly disagree	10	9
Total	115	100

Source: Field Work, 2022

According to the table 1 above, 48 percent of respondents strongly believe that directors' salary has a major impact on organizational performance, whereas 30 percent agree, 13 percent disagree, and 9 percent strongly disagree.

Table 2: Do salaries and wages have significant effect on the performance of organizations?

Options	Number of frequency	Percentage (%)
Strongly agree	50	43
Agree	35	30
Disagree	17	15
Strongly disagree	13	12
Total	115	100

Source: Field Work, 2022

According to the Table 2 above, 43 percent of respondents strongly believe that salaries and wages have an impact on organizational performance, whereas 30 percent agree, 15 percent disagree, and 12 percent strongly disagree.

Test of Hypothesis One:

H_1: workers' remuneration does not have significant effect on the performance of organizations

Variables	O	E	0 – E	$(O-E)^2$	$\frac{(0-E)^2}{E}$
Strongly agree	55	28.75	26.25	689.06	23.97
Agree	35	28.75	6.25	39.06	1.36
Disagree	15	28.75	- 13.75	189.06	6.58
Strongly disagree	10	28.75	- 18.75	351.56	12.23
Total	**115**	**115**			**44.14**

The calculated chi-square value = 44.14

Df = (K – 1) (4 – 1) = 3

Table value at 0.05 of significance and 4 degree of freedom (Df) = 7.377

Decision

We reject the null hypothesis (Ho) and accept the alternative hypothesis (H1), which argues that workers' salary has no substantial influence on the performance of organizations, because the estimated chi-square (X2) value (44.14) is bigger than the table value (7.377).

Test of Hypothesis Two:

H_2: Salaries and wages do not affect the performance of organizations

Variables	O	E	0 – E	$(O-E)^2$	$\frac{(0-E)^2}{E}$
Strongly agree	50	28.75	21.75	462.19	16.08
Agree	35	28.75	6.25	39.06	1.36
Disagree	17	28.75	- 11.75	138.06	4.80
Strongly disagree	13	28.75	- 15.75	248.06	8.63
Total	***115***	***115***			***30.87***

The calculated chi-square value = 30.87

Df = (K – 1) (4 – 1) = 3

Table value at 0.05 of significance and 4 degree of freedom (Df) = 7.377

Decision

We reject the null hypothesis (Ho) and accept the alternative hypothesis (H1), which claims that salaries and wages have no effect on organizational performance since the estimated chi-square (X2) value (30.87) is bigger than the table value (7.377).

CONCLUSION

The study concluded that workers' performance should be investigated, according to the study, in order to achieve a balance of elements that would generate adequate desire to go the additional mile to complete corporate responsibilities.

RECOMMENDATIONS

For this study, the following recommendations are made:

1. As a result, management should objectively create, formulate, and implement pay strategies in order to improve overall organizational goals and obtain the most contributive and supporting impacts from organizational personnel.
2. Finally, both management and employees should be made aware of the pay strategy's objectives so that unintentional and subjective reasons may be minimized while attempting to strategically improve the shared goal. Without a doubt, this will allow for better organizational performance.

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