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The Role of Financial Incentives as a Motivator in Employee's Productivity in Nigeria Electricity Distribution Companies

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ABSTRACT

Since the major objective of any company is to maximize profit and increase shareholders earnings, then the need to increase productivity becomes inevitable. It has been observed by various scholars that the reason why most organizations experienced low productivity is due to the absence of motivational factors to employees with the financial incentives as major factors. The population of the study is entire staff of Yola Electricity Distribution Company (YEDC) totaling 65 in number. A sample size of 45 staff was arrived at through the simple random sampling technique. To conduct this research, research questions were drafted and distributed to the staff of the Yola Zonal office. The result obtained from the analysis of these data revealed that though employees enjoy some financial incentives, opportunities for advancement on the job, they were still not satisfied with the financial incentives, condition of service and management/ employees relationship. The researcher recommends the need for the organization to increase the incentives to all strata of the staff to effectively enhance high productivity.

Keywords: Impact, Financial Incentives, Employee Motivation and Productivity

INTRODUCTION

Every organization whether big or small is formed to achieve specific goal(s) and that such organization's objectives can only be achieved through the employment and retention of qualified human resources at its disposal. In order to achieve the organizational goals and objectives, certain motivational factors must be put in place to spur employees to put in their best in their work place.

Linda (2001) posits that financial incentives mean any inducement involving the payment of money and reduction in price paid for goods or services or any award of credit.

In the theory of human behaviours, it is believed that everyone seems to inherit certain basic drives similar to those found in the nature of animals. People are often unaware of the urges, which lie in the conscious mind that forces people to act in certain ways. If this urge is suppressed, frustration occurs and unless something is done, the person suffers depression and his zeal is weakened.

Background of the Study

All incentive inclinations cause people to behave in certain patterns, this means that in every organization the employees behaviour determines the level of the incentives been given to them by the employer or the management. This seriously makes relationship between the employees and the employer to be threatened, unless the organizational incentives are understood and used properly.

The importance of financial incentives to higher productivity has influence the choice of this research works and data collected fully tried to analyze to come up with findings and recommendation that will stand the test of time.

Statement of the Problem

Right from the beginning, management of organizations has always been faced with the problem of how to motivate worker in order to increase productivity that leads to profitability.

Wealth or profit minimization is the goal of most organizations. This is however only achieved when shareholders or investors funds are invested with a higher return on their investment, which is only possible when that organization is able to effectively motivate its workforce to make profit (Henry 1998)

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Whiting (1963) posits that most organizations actually fail due to their inability to adequately motivate their employees for higher productivity ironically; human resources form a greater percentage of the total assets of organizations.

The management of financial incentives is a very critical issue that should not be over looked, as its neglect can lead to disruption of work process, sales and service delivery loss and consequently financial losses.

The problem at hand therefore is to examine the organizations in Nigeria to see whether they really make use of financial incentive to their employees for higher productivity which transform to high profitability.

Objective of the Study

The overall aim of this study is to evaluate the impact of financial incentive as one of the motivating factors on employee's productivity. Specifically, this study will make effort at determine the extent at which Yola Electricity Distribution Company make use of the financial incentives in improving their employee's productivity.

The specific objectives of the study are as follows.

- To ascertain the extent of financial incentives operation in YEDC.
- Look in to the various financial motivators in YEDC
- To ascertain the manner in which financial incentives are carried out successfully in YEDC

Research Question

Base on the problem in focus in the objectives above, this research study will seek to answer the following questions.

- What is the extent of financial incentive operation in YEDC?
- What are the various financial motivators in YEDC?
- In what manner is financial incentives carried out in YEDC?

Statement of Hypotheses

Given our statement of problem and the research questions raised, this study will draw a hypothesis with which we will be able to answer the questions raised as follows.

HO: Financial incentive does not have significant impact on productivity

Hi: Financial incentives have significant impact on productivity

Significance of the Study

The study tries to portray the need for effective maximization of financial incentives in improving employee's productivity. This study will provide thought provoking insight for studies, and serve as an additional material for future research on this area. It will also go a long way to widen the scope of the researcher's knowledge in the subject matter.

The study will also serve as an invaluable contribution to financial incentive as a factor to increase productivity. Therefore researchers and the general public can gain from it.

Scope of the Study

The scope of this study covers financial incentive in higher productivity with particular focus to YEDC in Adamawa state Nigeria.

By choosing YEDC, the researcher will be able to assess the impact of financial incentives which will enable him to ascertain its contributions, and impact on the productivity of their staff, which will also provide a basis for making objective conclusions.

LITERATURE REVIEW

The problem of financial incentive and productivity as highlighted in this study is not totally new. Over the years, there has been increasing efforts by industries, social scientist and psychologist, at finding more effective ways of motivating workers to greater productivity.

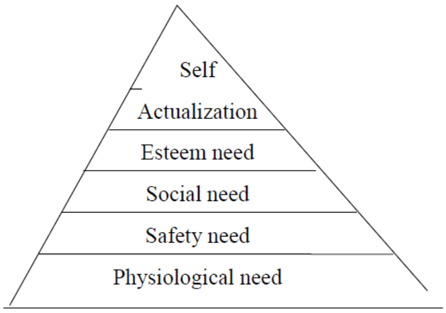
Akinmayowa (2008) defined productivity as the ratio of input to output of a group or an individual within a given period of time.

Terry (1975) defines productivity as output divided by input. He further stated that productivity is increased when a greater output result from the same input or when greater output is gained from less input without reducing the quality of the end product. He also said that productivity increase is reaching the highest level of performance with the least expenditure of resources.

Maslow's Hierarchy of Needs Theory

Maslow's hierarchy of needs theory is based on the idea that motivation come from needs. If need is met, it is no longer a motivator. So higher level needs becomes the motivators.

Maslow's identify the hierarchy of needs as follows.

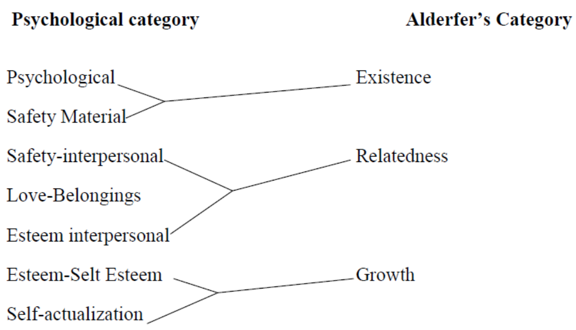


Nickels, and McHugh, (2006) defined the needs above as follows:

- **Psychological need:** this includes basis survival need such as the need for food water and shelter.
- **Safety need:** This is the need to feel secure at work and at home
- **Social need:** The need for recognition and acknowledgement from others as well as self-respect and sense of status or importance
- **Esteem need:** the need to feel loved and accepted to be part of a group.
- **Self-actualization need:** The need to develop to ones fullest potentials. When one need is satisfied, another higher level need emerges and motivates the person to do something to satisfy it. Any satisfied need is no longer a motivator they said.

Clayton Alderfer-ERG Theory

Alderfer (2002) developed another approach to understanding employee's motivation and presented it as an alternative to Maslow's needs theory. He found out that the individual gains satisfaction of the needs when he or she has obtained what he or she is seeking and experience frustration when he or she does not find it.



The main different between the two categories is that Alderfer did not find any evidence supporting Maslow's view that the need formed a hierarchy. He stated that his three categories of needs can be achieved in every one, although in varying degree of strength.

Fredrick Herzberg Two Factor Theory

Herzberg (2009) and his associates have considered modified Maslow's need approach with their research pointing to a two factor theory of motivating as follows:

- The motivators: He concluded that motivation consist of factors associated with job satisfaction and they describe people relationship to what they do at work, which include the nature of the tasks or work they perform, responsibility involved and recognition received.
- The hygiene factors: The second self-factors which he called hygiene factors serve to prevent dissatisfaction and not foster high performance. They identified the specific factors in hygiene to include: company policy and administration, supervision, working conditions, interpersonal relations, salary status, job security etc.

Theories X and Y

Douglas (1960) developed the idea that as managers make attempts to influence others, they must make assumption about how these people will react to differences in incentives which guide the organizational arrangement they put in place. He believes that every managerial act is based on one of the two assumption of theory X and Y which are about the human nature.

Reward Management

Sigmund (1990) sees reward management as the formulation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their values to the organization. He also sees it as consisting of analyzing and controlling employee remuneration, compensation and all of the other benefits for the employees.

Types of Rewards

Kerr (1995) posits that reward serve many purposes in organizations. They serve to build a better employment deal, hold unto good employees and to reduce rate of turnover. He identified reward to be of two types as follows:

1. **Extrinsic Rewards:** these are concrete rewards that employees receive, which include the following:

- Bonuses
- Salary raise
- Gifts
- Promotion
- Other kinds of tangible rewards

2. **Intrinsic Rewards:** these are things that tends to give personal satisfaction to individuals which includes:

- Information/feedback
- Recognition
- Trust/Empowerment

Intrinsic rewards makes the employee feel better in the organization, while extrinsic rewards focus on the performance and activities of the employee in order to attain a certain outcome.

Impact of Financial Incentives

Conrad (2006) posits that financial incentives as the term is used in this work can be described as the influence that payment to organization and individuals have on the consumers. In this work, financial incentives are directed towards improving inequality of work in YEDC

Robinson (1999) posits that financial incentives can be manipulated to affect employee's decisions. The challenge to funders or payers is to assemble the mix or blend of financial incentive rules and monitoring efforts that result in the employee productivity. The greater the costs of these activities, the less likely that financial incentive are used. The effectiveness of any financial incentive scheme in eliciting changes in employee's productivity depends not only on the amount and type of payment, e.g. staff preference for monetary versus other incentives such as autonomy, security, and conducive working environment and self-development opportunities.

Types of Financial Incentives

Bandura (2007) posits that although there are potentially very large number of financial incentives that could be utilized a useful distinction is made between the material and the non-material additionally. Material (or tangible) incentive could be broken down further in to monetary and non-monetary.

RESEARCH METHODOLOGY

This has to do with the general procedure on how the study will be carried out in order to accomplish the objective of the study. The procedures and tactics for collecting information about the research problem and also look at the sources of data to be used in the study

Research Design

The researcher will use interview so as to enhance data collection with some questionnaires to be distributed. Simple percentages table will be used to analyze the data collected

Population of the Study

Achie (2015) sees population as the number of people or item from which the sample will be drawn. Yola Electricity Distribution Company has 65 permanent staff.

Sample and Sampling Techniques

The sample size of this study is 45 staff, made up of 10 management, 15 intermediate and 20 junior staff. The stratified sampling technique was used since the population is made up of different strata of staff.

Instrument of Data Collection

To effectively collect data for this research, the primary and secondary sources of data was use while the instrument for data collection is questionnaire and personal interview

Method of Data Presentation and Analysis

In order to carry out a good analysis of this study the simple percentages table with implication will be use to analyze the data and the chi-square to be use to validate the result of the analysis. The chi-square formula is $X^2 = \frac{\sum(Fo-Fe)2}{fe}$

Where $X^{2\,-}$=chi-square

Fo = observed frequency

DATA ANALYSIS

Impact of Financial Incentives

Table4.1.1 *Financial Incentives Have Positive Impact On Productivity*

Response	No. of respondents	Respondents %
Yes	40	89
No	5	11
Total	45	100

Source: *Field Survey, 2015*

This shows that a greater percentage of the staff are satisfy with salaries while 11% are not really satisfy with it

Extent of Impact

Table4.2. *Salary commensurate with job*

Response	No. of respondents	Respondents %
Perfectly okay	40	89
Averagely okay	5	11
Total	45	100

Source: *Field Survey, 2015*

The table above shows that a greater percentage of the workforce feel that their salaries are not commensurate with the job they do in YEDC, while reasonable number of them also feel it is commensurate.

Financial Motivators

Table4.3. *What motivate you more?*

Response	No. of respondents	Respondents %
salaries	35	78
End of year bonus	10	22
Total	45	100

Source: *Field Survey, 2015*

The table above shows that 78% respondents are motivated by salaries while 22% are motivated by end of year bonus. This implies that the staffs are not motivated by all incentives at the same time.

Job Performance

Table4.4. *Increase job performance*

Response	No. of respondents	Respondents %
Yes	35	78
No	10	22
Total	45	100

Source: *Field Survey, 2015*

The table above shows that 78% respondents agreed that financial incentives increase job performance while 22% disagree. This implies that while some staff is motivated by the financial incentives, others are only motivated by other motivators.

Promotion Basis

Table4.5. *Basis for promotion in YEDC*

Response	No of respondents	Respondents %
Performance on the job & qualification	40	89
others	5	11
Total	45	100

Source: *Field Survey 2015*

The table above shows 89% agree that the basis for promotion is by performance and qualification, while 11% said is based on other considerations.

Motivators

Table4.6. *Other Motivators*

Responses	No. of respondents	Respondents %
Training & development	3	6.7
Staff Medical Care	4	8.9
Provision for transport and canteen service	5	11
End of year bonus	3	6.7
All of the above	30	66.7
Total	45	100

Source: *Field Survey,* 2015

The table above shows that training and development, staff medical care, provision of transportation, canteen services for staff, and end of year bonus are other motivating factors that spur the staff of YEDC to put in their best to improve productivity, after their salaries and other financial incentives.

Test of Hypothesis

To conduct this test, the non-parametric statistical tool chi-square, $(x^2)$was used.

Thus, chi-square is represented by the Formula $x^2 = \sum\frac{(0-E)2}{E}$ where

0 = is the observed frequency of any value

E = the expected frequency of any value

x^2 = chi-square.

To test hypothesis, data from table 4 and 5 are use as follows:

Option	Table 4	Table 5	Total
Yes	35	40	75
No	10	5	15
Total	45	45	90

Expected Frequency

For yes = $\frac{TRxTG}{TG}$

$\frac{45x75}{90} = 37.5$

For No

$\frac{45x15}{90} = 7.5$

Variable	Q4	Q5	total
Yes	37.5	37.5	75
No	7.5	7.5	15
Total	45	45	90

Chi-Square Calculation

Fo	Fe	Fo-fe	(fo-fe)2	$\frac{(f0-fe)2}{fe}$
35	37.5	-2.5	-6.25	-0.166
10	7.5	2.5	6.25	0.833
40	37.5	2.5	6.25	0.166
5	7.5	-2.5	-2.65	-0.353
Total				0.48

Decision Rule

With a chi-square off 0.48 and a critical table value of 0.51 it then means that the Hi Hypothesis should be accepted which says that financial incentives increase employee's productivity in YEDC.

Discussion of Finding

After the analysis of the data collected for the research work, the following were discovered.

- Financial incentives have positive impact on the improvement of productivity of the employees of YEDC.
- It was also discovered that the employees of YEDC are always promoted based on performance and qualification.
- It was also discovered that apart from salaries and financial incentives, there are other motivating factors that enhances employee's productivity in YEDC like training and development, transportation and canteen services for staff, staff medical care and end of year bonus to staff.

SUMMARY CONCLUSION AND RECOMMENDATIONS

Summary

The research work has attempted to examine the impact of financial incentives on employee's productivity in YEDC. Work of this nature cannot be complete without the work of various scholars been reviewed on the impact of financial incentive on employee productivity. The method of the research has been mostly described by validated questionnaires, personal interviews and observation conducted in the course of the work.

The study shows that financial incentives has great impact on employee productivity and can be said to be a tool for competitive advantage as it leads to higher productivity and increase in profitability.

Conclusion

From the results obtained from the study it is obvious that:

- A greater number of the employees are happy with what they are paid as salaries
- That financial incentive has a great impact on the productivity of employees in an organization.
- That promotion in YEDC is on the basis of performance on the job and qualification
- That apart from financial incentives and salaries there are other motivating factors that spur employees to put in their best in an organization.

Recommendations

Based on the findings above, the above recommendations were made:

- That there is need for the organization to increase their financial incentives to all strata of staff to have a higher increase on productivity and profitability.
- That consideration should be given for a slight increase in salary and other financial incentive to encourage the employees to perform at their highest level.
- Those other motivational factors should be made available to the employees for improved performance and productivity in the present dispensation.

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