

## ENHANCING EMPLOYEE PERFORMANCE THROUGH MONETARY AND NON-MONETARY INCENTIVES

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### ABSTRACT

*In this paper, the roll of the monetary and non-monetary incentives in the employee performance is investigated. Monetary term includes salary, bonus, DA, profit sharing, gain sharing, basic pay, incentive rewards, special rewards as well as non-monetary term includes feedback of employees, job satisfaction, participation in decision making activities, healthy work environment, employees' career-oriented work, training of employees, good behavior of senior to employees, recognition, incentives on employees' productivity etc. Labour is the main element of progress in any organization. All other factor also depends on labour. If employees are efficient in an organization, then only all the other elements can be used efficiently and only then can the full working capacity be utilized. In order to utilize the full potential of the employees, it is necessary to provide them with a clean and healthy environment at the same time; they have to be emotionally attached to the organization so that they can do their work sincerely. Taking suggestions from the employees from time to time, ensuring their important participation in the organization and implementing the best suggestions given by them, increases the morale of the employees. Along with this, the organization also gets the benefit of suggestions in new thinking. It is true that efforts should be made to make the employees mentally strong for the development of the organization, but they should also get their remuneration in the form of money. The main objective is to analyze the effect of monetary and non-monetary rewards toward employees' performance.*

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**Keywords:** *Incentives, Employees' Performance, Monetary Incentives, Non-Monetary Incentives, Employees' Performance, Career Development, Working Capacity.*

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### Introduction

The word incentives mean a motivation that motivates or stimulates a person to take action in a desired direction. Therefore, any wage system that induces a worker to produce more is called "incentive wage system". Incentive pay is a monetary incentive given to employees' for showing performance beyond the prescribed standard. Incentives are one of the important factors to motivate and motivate workers for higher efficiency and higher production. Incentives attract the attention of a worker and stimulate him to work. Apart from salary and employees are given incentives on the basis of their performance and are paid regularly in the form of salary. An incentive is to motivate individual or group performance.

However, not all aspects of remuneration can be linked performance, as the employee needs some part of the remuneration to meet his basic needs irrespective of the contribution. For example, basic DA and allowances are determined based on the basic need of the employee. This part of the remuneration is called variable pay. Variable pay, also called incentive pay, is based on employee

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performance or contribution to the organization. Incentives are monetary benefits given to workers in recognition of their excellent performance. Incentives have been defined as rewards varying according to differences in the achievement of specific outcomes. The international labour office refers to incentives as 'pay by result'. However, it is worth emphasizing on the incentive system of payment, which is giving incentives to the workers for higher production and productivity, emphasizing the need for incentives to them. Unlike wages and salaries, which are relatively fixed, incentives usually vary from person to person, and the term 'incentive' is used to refer to the same person in a broader sense of the restricted sense of participation and financial motivation has been done. It is used to inform employees about the best practices for their work in order to maximize production result.

Incentives include both monetary and non-monetary rewards. It is paid to the workers in recognition of their excellent performance. Wages and salaries are relatively fixed, but incentives vary from person to person and from time to time for same person. Incentives can be defined as "rewards that vary according to variations in the achievement of specific results". Although money is the motivator to incentivize a person for work as it is related to physical and other needs fulfills real and is necessary to sustain himself and his dependent. Generally middle class common people give more importance to money. Incentive motivates the worker which boosts the morale and motivates him to produce higher and better at minimum cost. Incentives in the form of incentives are primarily psychological ones that sustain and strengthen the desire to achieve better performance.

It is a term that refers to motives in an external state, the function of which is to enhance or maintain some already initiated activity, either in duration or intensity. According to Wilms and Nickerson incentive payment refers to "all schemes that provide additional pay for performance in addition to regular pay for the job". According to Florence observes "it is any formal and declared program under which an individual, a small group, a plant work force or a firm all the employees of the company are partly or wholly related to some measure of productivity output".

### **Objective of the Study**

The main objective of this study is whether monetary incentive and non-monetary incentive have an important effect on the work efficiency of employees because sometimes employees get discouraged instead of being encouraged due to not getting proper remuneration according to the work.

### **Financial Performance Incentives**

- **Basic Pay**

Basic pay is called minimum pay or guaranteed pay. Basic pay plays a very important role for lower level employees but the basic pay does not work to encourage the employees and increase their work efficiency. It is only one of the reasons that bound employees' to go to work.

- **Profit Sharing**

Profit sharing means sharing of profit before tax to the employees. Organization earns the profit because of the good work done by the employees, and then the employees should also share in this, like customer satisfaction.

- **Gain Sharing**

Gain sharing determinants of profit sharing for compensation may include various goals or a combination thereof, such as economic key ratios, customer satisfaction, and certain growth goals. Also the gain of the organization can be one of the determinants of gain sharing; however, the ratio of profit to the total assessor should be less than 50 percent. According to Hanlon and Taylor gain sharing creates a stronger link between salary and performance than gain sharing because bonus payments in gain sharing because bonus payments in gain sharing systems have documented improvements within the specific group based on specific criteria.

- **Incentive Rewards**

Incentives are target oriented thing and usually combined with a reward. The main develop work and their work place.

- **Special Rewards**

Special rewards are non-monetary tangible rewards, which can be almost anything. For example, trips, tickets to sporting events, or employer provided golf club memberships may be special rewards. Special prizes may be distributed unexpectedly without any bonus scheme or there may be a bonus scheme according to which the prizes are distributed.

### **Non-Financial Performance Incentives**

- **Feedback**

Feedback is defined as action taken by an external agent to provide information about certain aspects of one's job performance. Feedback is an efficient and quick way of motivating employees as feedback is given in working conditions. One of the advantages of feedback is that in addition to the fact that it motivates, it also provides important knowledge of employee performance to the employee himself. Feedback gives important information to the employee about how he is performing, which in turn helps the employee to set goals and achieve the goals already set.

- **Participation**

If suggestions are invited from the employees from time to time, it will not only be beneficial for the organization but also increase the morale of the employees. Participation of the employees attached to organizations grows directly.

- **Healthy Work Environment**

It is very important that the work environment is comfortable for workers because the efficiency of employees only improves and increases in a healthy work environment. For better working efficiency, it is very important for the employees to be mentally stable and it is possible only if they have a better working environment.

- **Career Oriented Work**

Management should run career-oriented programs for the employees from time to time, which increase their efficiency and work more diligently.

- **Training**

Training definitely improves the working efficiency of the employees. Through training also, they are exposed to new technologies and keep up with current environment.

- **Good Behavior of Seniors**

The behavior of higher-level position or seniors affects the work efficiency of the employees. Good behavior by the officers motivates the employees to do good work whereas if there is more work pressure on the employees then they are not able to do better work under pressure.

- **Job Satisfaction**

If employees do work of their choice, they will do it with more dedication and honesty and perform better. Job satisfaction is the most important factor of employees' performance.

### **Way to Improve Employees' Efficiency**

According to Burak & Smith "incentive is a plan or program to motivate individuals to perform well. An incentive is often built on a monetary reward (incentive salary or a monetary bonus) but can also include a number of non-monetary rewards or rewards for work of acceptable multiply quality produced at and above a specified quantity or standard".

A good monetary incentive plan should have the following qualities:

- It should be acceptable to all interested parties.
- The incentive plan should be simple and easily understandable by the employee.
- The plan or standard on which it is to be based should be carefully decided after using work measurement tools, such as time and motion studies, work sampling, standard data, etc.
- The reward under the scheme should be adequate and paid promptly.
- The scheme should be fair and exclusive to both the employer and the employee.
- It should not impose an undue burden on the employer; it should not deprive the worker of his fair reward for the increase in production.

### **Relationship between Monetary Incentive and Employees' Performance**

According to the study there is a significant positive relationship between monetary incentives and employee's performance. This is also directly connected with organizational performance. But sometimes this relationship is unsatisfactory and may decrease in the level of performance of employees.

### **Relationship between Non Monetary Incentive and Employees' Performance**

Non-monetary incentive and employees' performance have a positive relationship. Woodruffe (2006) found that non-monetary incentives can motivate employees to give a greater job performance.

### Conclusion

From the finding of this study monetary incentives encourage employees and there are positive significant differences among the monetary incentives and employees' performance used basic pay, bonus, rewards, profit sharing, gain sharing etc. There is also positive significant relationship between non-monetary incentives and employee's performance. Organizations encourage employees through participation, feedback, career development programs, recognition, job satisfaction etc.

I have reached the conclusion, based on the objective of this study, that there is a positive significant effect of monetary and non-monetary incentives on employee's performance.

### Suggestions

On the basis of this study, following suggestions were offered;

- Management should increase the incentives according to the performance of employees because less incentive is down the performance of employees instead of increase the performance of the employees.
- While deciding the incentive, the management should be careful that the incentive should not be too high because if the incentive is more according to the work, then the employees craves to get more incentive by doing less work.
- Management should continue appreciate the employees through financial and non-financial rewards because human mind needs inspiration.
- Management should continue to allow their employees enjoy incentives and job work on the work place.

### Limitations of the Study

This study has revealed some limitations. This study is mostly based on human behavior and human behavior is not an easy and understandable thing. One employee is motivated by monetary incentives, and then may be other one is motivated by non-monetary incentives. So the findings of this study may not be generalized to all organization.

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