IMPACT OF MONETARY INCENTIVES ON EMPLOYEE'S PERFORMANCE

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ABSTRACT

A monetary incentive, essentially a direct financial reward tied to performance goals, can significantly impact employee performance by boosting motivation, increasing productivity, and aligning individual goals with organizational objectives, ultimately leading to improved overall business results. Employees play a very important part in the daily operations of any organization. Employee's productivity and how it could be enhanced is central to the concern of industries and organizations, therefore many organizational scientists are interested in different schemes and techniques related to employee's productivity and its growth incentives are one of those techniques used to stimulate employee's in indict to get desired employee's productivity.

The current study aims to contribute to the existing literature by examining the relationship between monetary incentives and employee performance, and exploring the mechanisms by which they influence employee motivation and behavior. The finding of this study will provide valuable insights for organizations seeking to optimize their reward systems and improve employee performance. By shedding light on the complex relationships between monetary incentives, motivation and performance, this research will inform the development of evidence-based reward strategies that drive sustainable organizational success.

KEY WORDS: monetary incentives, employee performance, productivity, motivation, job satisfaction.

INTRODUCTION

A monetary incentive is a financial reward given to employees to encourage and improve their performance. It can take various forms, such as bonuses, commissions, salary increases, profit-sharing, or performance-based rewards. Monetary incentives, or financial rewards for employee performance, play a critical role in motivating employees in a competitive work environment. According to the economic report, monetary incentives are a very common means of enhancing employee performance in an organization or company through financial rewards monetary Incentive refers to a form of reward that involves financial compensation to motivate individuals to achieve specific goals or outcomes. The purpose of monetary incentives is to motivate employees to work harder, be more productive, and achieve specific business goals. When employees know they will receive financial rewards for their efforts, they are more likely to stay engaged and committed to their work.

Advantages of monetary incentives:

1) Increased productivity:

When employees are offered financial rewards (like bonuses, commissions, or profit sharing) based on their performance, they are more likely to work harder and produce more output, leading to a higher level of overall productivity within the company; essentially, the promise of extra money motivates them to work more efficiently and achieve better results.

2) Improved morale:

By offering financial rewards to employees, like bonuses or commissions, accompany can positively impact their overall attitude and job satisfaction, making them feel more motivated and engaged in their work due to the recognition and potential financial gain associated with achieving goals.

3) Attracting talent:

By using financial rewards like bonuses, higher salaries, or stock options to entice skilled individuals to join a company, essentially using money as a primary motivator in order to recruit top talent is attracting talent.

4) Alignment with goals

Structuring a system where financial rewards (like bonuses or commissions) are directly tied to achieving specific, clearly defined organizational goals, ensuring employees are motivated to work towards the company's objectives by earning more money when they meet or exceed performance expectations.

5) Retention

a company is offering a financial reward (like a bonus or extra pay) to encourage an employee to stay with the company for a specific period of time, essentially incentivizing them to "retain" their position by providing them with monetary benefits; it's a strategy to prevent employee turnover by offering them additional cash to stay on board.

Negative impacts of monetary incentives:

Negative impacts of monetary incentives include: crowding out intrinsic motivation, encouraging short-term focus, potential for unethical behavior, creating unhealthy competition, leading to decreased quality in favor of quantity, and causing demotivation if not managed properly, especially when expectations for rewards become too high; essentially, relying too heavily on money as a motivator can undermine long-term engagement and quality work, particularly when tasks involve creativity or require intrinsic satisfaction.

STATEMENT OF THE PROBLEM

The use of monetary incentives as a motivational tool to enhance employee performance has been a long-standing practice in many organizations. However, despite its widespread adoption, the effectiveness of monetary incentives in driving employee performance remains a topic of debate. While some studies suggest that monetary incentives can improve employee motivation and productivity, others argue that they can lead to unintended consequences, such as decreased intrinsic motivation and increased stress. Furthermore, the impact of monetary incentives on employee performance may vary depending on individual employee characteristics, organizational culture, and the type and size of the incentive. Therefore, this study aims to investigate the impact of monetary incentives on employee performance, exploring the factors that influence their effectiveness and the potential consequences of their use values.

OJECTIVES

- To evaluate how monetary incentives influence employee motivation to achieve organizational goals.
- To determine the extent to which monetary rewards enhance individual productivity.

HYPOTHESIS

- **H_1**:Job position does not influence the monetary rewards provided by the organizations.

- **H_2:**Monthly income does not influence the monetary incentives that motivate the most

REVIEWOFLITERATURE

- **Er. Prakash Kumar Sen (2016)** Study on Factor Affecting Motivation of Employees reveals that employees are happy with the freedom given by management and most of the employees focus on performance appraisal as a motivator. The study concludes non-financial reward systems are preferred by the employee.
- **Dr.Ravi T.S. (2015)** study on impact of labor incentives on productivity in selected Chennai based manufacturing companies, described management should design incentive scheme in order to motivate employees. He concludes employees had no objection both monetary and non-monetary incentives. Majority of employees opted monetary incentives.

METHODOLOGY

Data was collected from 120 respondents through both primary and secondary data. Primary data was collected through survey from people located within Thoothukudi district. Secondary data was collected from existing research studies, academic journals ,organizational records and E-journals.

TABLE 1

Analysis of employee's job position over their monetary rewards provided by the organization

Ho: Job position does not influence the monetary rewards provided by the organisation.

H_1: Jobposition influences the monetary rewards provided by the organization.

Source of variations	Sum of Squares	df	Mean Square	F	P value

Between Groups	12.662	3	4.221	4.899	.003
Within Groups	99.930	116	.861		
Total	112.592	119			

Inference:

The table shows that there is statistical difference between the groups as disclosed by the value of F=4.899and the P value=0.003which is ($P<0.05$). Hence the null hypothesis is rejected.

This proves that job satisfaction influences the monetary rewards provided by the organisation.

TABLE2

Analysis of influence of employee's monthly income over the monetary incentives that motivates the most

Ho: Monthly income does not influence the monetary incentives that motivate the most

H_1: Monthly income influence the monetary incentives that motivate the most

Source of variations	Sum of Squares	df	Mean Square	F	Pvalue
Between Groups	22.145	3	7.382	8.044	.000
Within Groups	106.447	116	.918		
Total	128.592	119			

Inference:

The above table shows that there is statistical difference between the groups as disclosed by the value of F= 8.044 and the P value = .000 ($P<0.05$). Hence the null hypothesis is not accepted.

This proves that the monthly income influences the monetary incentives that motivates the most.

TABLE3

Testing the relationship between gender and the monetary rewards that enhance individual productivity

Ho: There is no significant relationship between gender and the monetary rewards that enhance individual productivity

H_1: There is a significant relationship between gender and the monetary rewards that enhance individual productivity

Factor	Value	df	Significance value
Pearson Chi-Square	.340[a]	1	.560

Inference:

The table shows that the significance value (0.560) is lesser than (0.05). Hence the null hypothesis is not accepted and the alternate hypothesis is accepted. There is significant relationship between gender and the monetary rewards that enhance individual productivity

Hence gender influences the monetary rewards that enhances individual productivity

TABLE4

Testing the relationship between marital status and the importance of monetary incentives

(Ho): There is no significant relationship between marital status and the importance of monetary incentives.

(H1): There is a significant relationship between marital status and the importance of monetary incentives.

Factor	**Value**	**df**	**Significance value**
Pearson Chi-Square	.111[a]	1	.739

INFERENCE:

The table shows that the significance value (0.739) is lesser than (0.05). hence the null hypothesis is not accepted and the alternate hypothesis is accepted. There is significant relationship between gender and the monetary rewards that enhance individual productivity

Hence marital status influences the important are monetary incentives that enhances individual productivity

FINDINGS

- Job position influences the monetary rewards provided by the organization
- Monthly income influences the monetary incentives that motivate the most
- There is significant relationship between gender and the monetary rewards that enhance individual productivity
- There is significant relationship between marital status and the importance of monetary incentives

SUGGESTIONS

- It is advisable for the company to combine financial incentives with recognition, career growth opportunities and define measurable targets to make the reward system fair. They should also combine financial incentives with job enrichment and professional growth
- The company should tailor incentives to suit various job responsibilities and contributions, Reward employees based on their actual contributions, achievements, creative ideas and process improvements.
- The company should necessarily offer retention bonuses and stock

options for long-term engagement.

CONCLUSION

Organizations should combine monetary incentives with career development opportunities, recognition programs, and a positive work environment. Providing employees with clear goals, regular feedback, and professional growth opportunities ensures that motivation remains high beyond just financial rewards. Employee engagement improves when they feel valued not only through salary increases and bonuses but also through meaningful work and career advancement.

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