


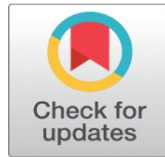
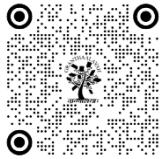
A STUDY ON EFFECT OF FINANCIAL AND NON-FINANCIAL INCENTIVES ON STAFF PRODUCTIVITY

Shreyas Dingankar ¹, Suresh Suryawanshi ², Gunjan Behl ³, Kirti Kakde ³

¹ Institute of management and entrepreneurship development Pune Bharati vidyapeeth Deemed to be university, India

² Centre for Distance and Online Education Pune, Bharati vidyapeeth Deemed to be university Pune, India

³ Vijay Patil School of management, Dy Patil university Navi Mumbai, India



Corresponding Author

Shreyas Dingankar,
shreyas.dingankar@bharatividyaapeeth.edu

DOI

[10.29121/shodhkosh.v5.i7.2024.5681](https://doi.org/10.29121/shodhkosh.v5.i7.2024.5681)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Copyright: © 2024 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.



ABSTRACT

This paper aims to identify financial and non-financial incentives impacting the productivity of an employee in companies. The paper will discuss employees' productivity that affects the company's performance and maintain a productive workforce. There is a strong bonding between incentive and productivity of an employee. The factors for improving employee productivity varies from industry to industry. Employees also gain a sense of purpose to work more efficiently when they work constructively, inspiring them to give their best. A study by Oxford faculty and the University of Oxford (named Employee Wellbeing, Productivity, and Firm Performance) found that employee inspiration was correlated with productivity and profitability, which on the whole affects employee loyalty

Keywords: Financial, Non-Financial, Incentives, Employee

1. INTRODUCTION

Incentives have a positive motivating effect on an individual to improve his or her performance Therefore it can be concluded that the initiatives for enhancing the performance of their employees are mainly incentives Classification of incentives can be done as those of financial nature and some of non-financial nature

In today's socio-economic conditions money is a vital part of our life The need of money is to fulfil almost all our wants as it holds the power of purchasing anything Incentives ones in the financial form are known as financial incentives for example money or any other thing that can be evaluated in monetary terms These incentives can be issued to a group or an individual basis and satisfy individuals' future security and monetary needs.

Apart from the future security and monetary incentive needs, an employee also has social, psychological and monetary incentive needs an employee also has emotional social and psychological needs Pleasing these necessities also plays an essential part in their motivation Nonfinancial incentives emphasize mainly on fulfilling the needs and thus it is not measured in financial terms However there are instances that a particular financial incentive may carry the non-financial incentive For example when an individual is promoted his, his status and pay increases, at the same time, he has benefitted non-monetarily as his psychological needs are fulfilled resulting in which he gets more authority.

1.1. OBJECTIVE

- To analyze the different types of incentives offered by the company.
- Does more pay encourage the employees to be more productive?
- Do bonuses encourage the employees to put in extra efforts at work.
- Does Pension make the employee work harder at job?
- Are paid leaves productivity improvers
- When paid for medical care, do employees wish to do better for the company.
- Does working from home, makes the employee more productive.
- Does promotion have a positive impact on employee's productivity?

2. LITERATURE REVIEW

2.1. CONCEPT OF PRODUCTIVITY

Productivity mainly refers to the actual relationship between the number of materials used in production input and quantity produced output It is basically the ratio for the output of commodities and the input of materials consumed in this process of production. Productivity can be described as a ratio between the input of material or resources and the output of wealth used in producing a certain good. Productivity is a way of measuring the output per unit input in the economic sense. Output is calculated as the sum total of production units or subsequent revenue. In contrast, input is production factors utilized like labor capital equipment. Productivity is a fine way of gauging the operating efficiency of a factory. High productivity is a sign of proper utilization of resources. Similarly, lower productivity indicates the wastage of time and resources. Having a high rate of productivity is always necessary because time and capital are inadequate and should be utilized in an efficient manner. Productivity can be defined as a ratio between output volume and input volume.

3. FINANCIAL INCENTIVES

Financial Incentives include Pay, Bonus, Wages and Salaries, Pension, Vacation with pay,

Pay: Pay is a process that is rewarded to high performing employees it is usually done by awarding the employees with an additional pay which is often called incentive pay. Pay helps the employer to differentiate them on the basis of their performance like low and high performing employee and reward them according to their performance. This can result in retention because no organization wants to lose best performers.

Bonus: Bonus Is an amount of money which is provided to an employee above his/her salary or wage for their exceptional performance. Most companies prefer the implementation of bonuses because it is a more convenient and simpler way to show gratitude to the company employees

Wages and Salaries: The motivation of employees can be depicted in several factors and salary can be a major contributing factor for the cause. People are motivated by money, so the employer pays a worker greatly influences his productivity in the organization.

Vacation with Pay: The firm assures the mental and physical wellbeing of an individual by granting them vacation with pay. These vacations prove to be beneficial for those who need some leisure time to spend with their family or for the elderly parents to take care.

Non-Financial Incentives

Non-Financial Incentives include Status, Organization Climate, Career Advancement Opportunity, and Job Enrichment.

Status: Status is the position in the hierarchy of the organizational chart. Status satisfies an individual's psychological need, self-esteem and motivates him to work hard.

Organization Climate: This depicts the environmental attributes of the business that are perceived by its employees and have a significant influence on their behaviour. When the company climate is favourable employees feel more motivated.

Career Advancement Opportunity: An organization needs to have a proper skill development programme and a well-defined promotion policy for their employees. Every employee desires growth in an organization. When he is rewarded with a promotion to appreciate his work, he gets motivated which results in better and more efficient work.

Job Enrichment: Job Enrichment is the crafting of jobs to involve a greater level of skill and knowledge more responsibility of individuals appropriate work experience and more growth opportunities. When the work is fascinating it acts boosts morale of the employees.

4. RESEARCH METHODOLOGY

Research is a systematic method for data collection, documentation of critical information, and analysis and interpretation of that data/information under suitable methodologies set by specific professional fields and academic disciplines. Data collection is done through series of questionnaires, considering the objective of the study.

4.1. RESEARCH DESIGN

The study is based on descriptive method, which involves collection and analysis of the primary data collected with the help of structured questionnaires.

4.2. POPULATION AND SAMPLING TECHNIQUE

The population of this study consists of fifty (50) staff in Pune University Maharashtra. The simple random sampling technique was used to obtain a sample size of 25 respondents which consist of 5 management staff and 20 employees in Pune University Maharashtra, constituted the sample for the study.

4.3. RESEARCH INSTRUMENT

The research instrument used in gathering data for the study is a self-constructed questionnaire prepared by the researcher titled The Effect of Financial and Non-Financial Incentives on Staff Performance Questionnaire (TEFNISPQ). The questionnaire was structured into two (2) sections A and B. Section A was for demographic information and Section B contained 15 questions of Likert type eliciting responses on financial and non-financial incentives on Staff Performance in Pune University Maharashtra

4.4. METHOD OF DATA ANALYSIS

The tools used for data analysis are frequency table and percentages. For decision making, 50% would be used any item that attained a response above 50% will be accepted otherwise it would not be accepted.

5. RESULTS

Q. Research question one: What are the financial and non-financial incentives used in Pune University Maharashtra.

To answer this question, respondents' reactions to questionnaire were collated and analyzed. The result is shown in the table below.

1. S/N	2. STATEMENTS 3. (The following financial and non-financial 4. incentives are practiced in the organization)	5. Yes %	6. %	7. No %	8. %	9. Decision
10. 1	11. Pay	12. 25	13. 100	14. -	15. -	16. Accepted
17. 2	18. Bonuses	19. 18	20. 72	21. 7	22. 28	23. Accepted
24. 3	25. Pension	26. -	27. -	28. 25	29. 100	30. Rejected

6. DATA COLLECTION

The data is chiefly collected through the form of questionnaires, through the employees of the firm. No malpractices were practiced during the collection of data. The sampling technique used is simple random sampling, in which random people are picked up as a sample. Everyone in the population has an equal chance of coming under this category. This helps give equal probability to everyone. The questionnaire consists of 10 different questions.

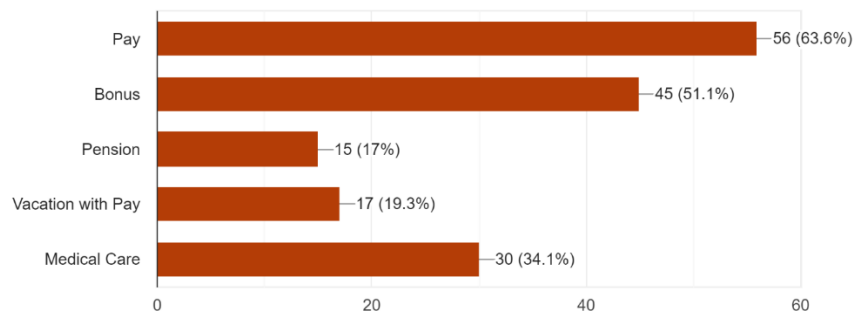
6.1. ANALYSIS OF DATA

1) What kind of Incentive does your company offer?

<i>Incentives</i>	<i>Count of votes</i>
PAY	56 Respondents (63.6%)
BONUS	45 Respondents (51.1%)
PENSION	15 Respondents (17%)
VACATION WITH PAY	17 Respondents (19.3%)
MEDICAL CARE	30 Respondents (34.1%)

What kind of Incentives does your company offer? (Choose all that apply)

88 responses



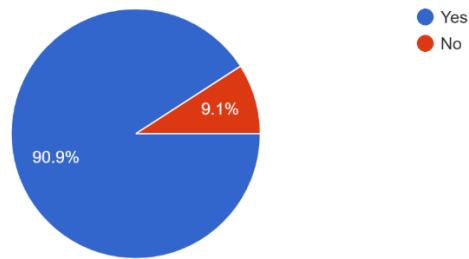
Analysis:

- Pay is the most common incentive paid in companies, followed by Bonuses, and Medical Care. Incentives like Pension and Vacation with Pay are the rarest.

2) Will you be more productive if you get more pay?

YES	NO
80 Respondents (90.9%)	8 Respondents (9.1%)

Will you be more productive if you get more pay?
88 responses



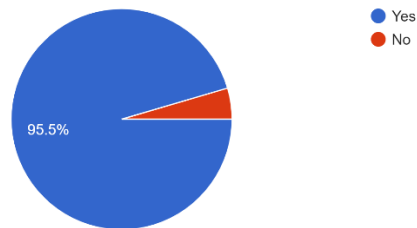
Analysis:

- 90.9% of the employees believe in being more productive if they get more pay for that job. Whereas, 9.1% employees believe that Pay is not a factor to improve their productivity.

3) Do bonuses encourage you to put in extra efforts at work?

YES	NO
84 Respondents (95.5%)	4 Respondents (4.5%)

Do bonuses encourage you to put in extra efforts at work?
88 responses



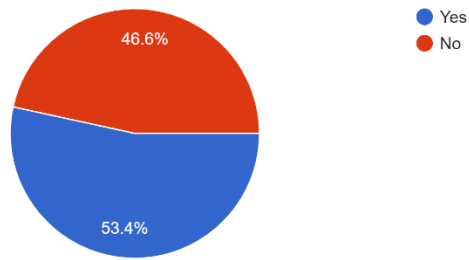
Analysis:

95.5% of the employees believe in putting extra efforts at work, when rewarded with Bonuses. Whereas, 4.5% employees believe that Bonuses are not worth putting extra efforts at work.

4) Does pension make you work harder at job?

YES	NO
47 Respondents (53.4%)	41 Respondents (46.6%)

Does pension make you work harder at job?
88 responses



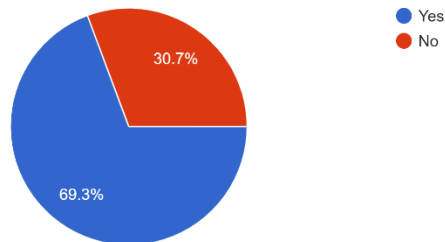
Analysis:

- 53.4% found that Pension makes them work harder at job. Whereas, 46.6% employees believe Pension is not something to work hard upon.

5) Does paid leave improve your productivity?

YES	NO
61 Respondents (69.3%)	27 Respondents (30.7%)

Does paid leave improve your productivity?
88 responses



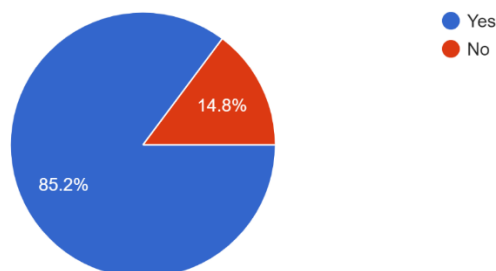
Analysis:

- 69.3% employees found that paid leave improves their productivity. Whereas 30.7% employees believe paid leave has no impact on productivity.

6) When a company pays for your medical care, do you wish to do better for them?

YES	NO
75 Respondents (85.2%)	13 Respondents (14.8%)

When a company pays for your medical care, do you wish to do better for them?
88 responses



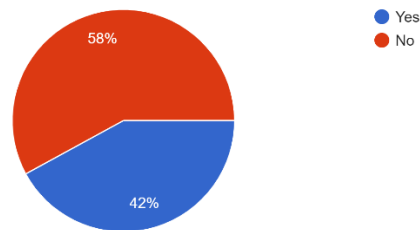
Analysis:

- When a company pays for the medical expenses of their employees, 85.2% employees wish to do better for the company. Whereas 14.8% do not want to do better for the company, despite medical care being offered.

7) Will working from home make you more productive?

YES	NO
37 Respondents (42%)	51 Respondents (58%)

Will working from home make you more productive?
88 responses

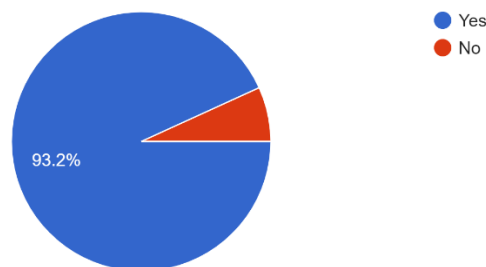
**Analysis:**

- 58% respondents do not feel like being more productive when working from home. Whereas 42% believe that they are more productive working from home.

8) Will promotion have a positive impact on your productivity?

YES	NO
82 Respondents (93.2%)	6 Respondents (6.8%)

Will promotion have a positive impact on your productivity?
88 responses

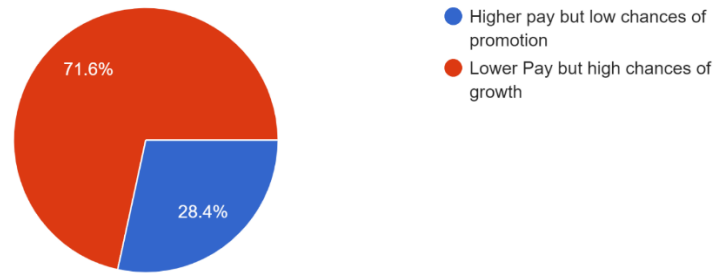
**Analysis:**

- 93.2% of the respondents believe that promotion will have a positive impact on their productivity. Whereas, 6.8% do not find promotion to be a productive factor.

What will you choose?

Higher pay but low chances of promotion	Lower Pay but high chances of growth
25 Respondents (28.4%)	63 Respondents (71.6%)

What will you choose?
88 responses



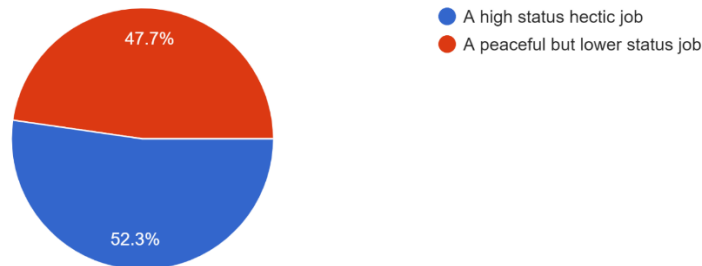
Analysis:

- 71.6% chose “Lower pay but high chances of growth”. Whereas, 28.4% chose “Higher pay but lower chances of promotion.” This depicts that people are more oriented towards long term plans for their future.

9) What would you choose?

A high-status hectic job	A peaceful but lower status job
46 Respondents (52.3%)	42 Respondents (47.7%)

What would you choose?
88 responses



Analysis:

- 47.7% respondents chose “A peaceful but lower status job”. Whereas, 52.3% respondents chose “A high status hectic job.” This depicts that people need a work-life balance in their respective lives.

7. CONCLUSION

The study has shown that financial and non-financial incentives affect employee’s performance. While financial incentives are critical to motivate employees in Pune University Maharashtra make ends meet and better their socioeconomic status in unstable economy in Lagos where prices are rocketing and salaries cannot match with prices of goods and services, non-financial incentives also cannot be overemphasized. The study therefore concludes that when employers (management) pay attention to employees’ (staff) financial and non-financial challenges, it will result to overall benefits of the organization.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

REFERENCES

- Armstrong, M., & Brown, D. (2016). Strategic reward: making it happen. USA: Kogan Page Limited.
- Bowen, P., Cattell, K., Michell, K., Edwards, P. (2008). Job Satisfaction of South Africa Quantity Surveyors: Are Employers Happier than Employees? *Journal of Engineering, Design & Technology*, 6(2), 124-144.
- Eboh, E. F., (2013). Management theory: models for decision making. Computer Villa Publishers Ltd.
- Josephine W. N., (2015). Non-financial reward and employee retention in private primary schools in Kenya (Kiambu County)
- Kowitz, G. T. (1997). The Management of Motivation. *The Phi Delta Kappan*, 49(2), 77-80.
- The Effect Of Financial And Non Financial Incentives On Staff Performance.
DOI: 10.9790/487X-2206112632 www.iosrjournals.org 32 | Page
- Liao, S. H., Fei, W. C., & Chen, C. C. (2007). Knowledge Sharing, Absorptive Capacity, and Innovation Capability: An Empirical Study of Taiwan's Knowledge Intensive Industries. *Journal of Information Science*, 33(3), 340–359.
- Mike Kappel, (2018). What is bonus pay? Retrieved on the January 8th 2019, from <https://www.patriotsoftware.com/payroll/training/blog/what-is-bonus-pay>.
- Palmer, W (2012)., "Incentive and Disincentive: Will They Affect Performance."
- Pitts, C. (2005). *Motivating Your Organization*, New York: McGraw-Hill International.
- Robbins, S. P., & Judge, T.A. (2008). *Essentials of Organizational Behavior*, 9th ed. Pearson: NJ, Prentice Hall.
- Roscoe, J. (2002). Continuing professional development in higher education, *Human Resource Development International*, 5(1): 3-9.