

Employee Perception of Incentive Schemes: The Case of Staff at Co-Operative Bank of Kenya

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Abstract: *To survive in today's highly competitive environment, banks have to maintain a competent and motivated workforce. Employee motivation is the foundation that enables the organization to achieve improved productivity and hence become competitive and successful in the market. Therefore, many organizations have incentive schemes in place to motivate their employees. However, incentives offered by the company need to be positively perceived and valued by employees in order to be effective. It is against this background this study sought to find out the employee perception and awareness of these incentive schemes. The population for this study was the Co-operative Bank of Kenya staff in selected branches in Kenya. The study was based on descriptive survey method. Data was collected using questionnaires and interviews schedule. It was analyzed using descriptive statistics to enable deriving some conclusions. The findings show that there is high awareness of staff on the incentive schemes in place, that indeed incentive schemes motivate employees to work harder and improve productivity. Moreover, it was revealed that some incentives are more powerful in motivating workers. Employees prefer cash more than non-cash incentives. It also emerged that although employees believe that performance evaluations are fairly done, incentives are not given according to individual performance.*

Keywords: Incentive schemes, Perception, Productivity, Motivation, Incentive Awareness

1. Introduction

One of the main objectives of financial institutions is mobilizing resources mainly domestic savings and channeling them to the would-be investors (Melkamu, 2016). Additionally, banks are considered by many governments in developing nations as a potent tool in reducing poverty (Ficawoyi & Sylwester, 2016). It is for this reason that the number of banks have increased in the last decade leading to a cut-throat competition for their clients (Kinyua, 2014). Therefore, to survive in today's highly competitive and dynamic environment, banks have to maintain a competent and a motivated workforce. This is because bank employees are responsible for handling large amounts of cash on a daily basis, working with at times challenging customers and are held to a higher level of ethics and responsibility than employees in many other businesses (Kithuka, 2015). Hence, the success of a financial institution in achieving its strategic objectives relies heavily on the performance level of the employees.

All organizations require motivated employees to achieve their objective and function effectively. According to Beardwell and Claydon (2010) motivated employees can add value to an organization by successfully achieving its targets and can increase employee performance. Therefore, it is important to identify factors that motivate employees. Given that one of the most compelling challenges facing today's organizations is how to make sure that employees are highly motivated (Tomer, 2016). To solve the issue of employee motivation many organizations have adopted employee incentive programs.

Incentives are rewards for achieving certain targets or making a certain effort (Deeksha, 2016). According to Holtmann and Grammling (2005) staff incentive schemes are designed to motivate staff to achieve high performance levels, change behaviors and change attitudes. Fisher (2012) contends that incentive schemes must be transparent so that staff members affected should be able to easily understand the mechanics of the calculation. Well-designed staff

incentive schemes can have positive and powerful effect whereas poorly developed schemes can have serious detrimental effects (Holtmann & Grammling, 2005).

Müller (2013) argues that it is essential that the incentive scheme be perceived as being fair and thus the goals set out by the scheme must be attainable and better performing staff members must indeed deserve a better reward. Moreover, organizations cannot realize the full potential of offering competitive employee incentive unless employees have sufficient knowledge about them. On the same line Shields, Brown and Kaine (2015) contend that incentives offered by the company need to be positively perceived and valued by employees in order to have the intended influence on employees' behavior and attitudes. This is because if the incentive offered is not positively valued by the employee, it falls within the employee's "zone of indifference" and the presence or absence of such incentive in the workplace have little effect to those employees (Magnusson & Nyrenius, 2011).

In an organization perception may be defined as the attitude employees have towards policies concerned with pay, recognition, incentives, promotion and quality of working conditions (Armstrong, 2006).. Employee perception on the incentive schemes offered has a huge impact on their productivity. Consequently, organization need to evaluate their employee perception of the incentive they give in order to know whether they are meeting expectation and preference of employees to motivate them.

1.1 Statement of the Problem

Banks operate under extreme pressure and in a competitive environment. They must justify their existence by making profits and customers require them to provide better service. This has made it necessary for banks to use appropriate management control to ensure that their employees are working hard to reach the organization's objectives (Magnusson & Nyrenius, 2011). Apeyusi (2012) concurs that in order to attain organization goals, employees are

supposed to be well motivated and remunerated in order to unleash their full potential. This is the reason organizations are increasingly offering employee incentive schemes to motivate and encourage them to be more productive and efficient.

The aim of an incentive system is to motivate the staff to work in line with the organization's goals but to be effective they need to be designed to fit the different preferences of the staff. Melkamu (2016) argues that in order to positively influence employee behaviour and future performance progresses, employee must experience positive reactions in the practice of the implementation of incentive schemes, if not; any incentive packages will be doomed to failure. Moreover, scholars have begun to argue that employee emotions and perceptions are important in determining the efficacy of employee productivity (Farooq & Shafique, 2016).

Many banks are struggling with finding the right incentive systems, however, evaluation of incentive systems are seldom executed, which can lead to resources being spent on ineffective management control (Otonde, 2014). It is against this background that organization need to evaluate employee perception of on the incentive schemes they offer. This study was done to evaluate whether cooperative bank of Kenya have a motivation strategies for their employees in form of effective incentive schemes and their employees perception of the incentive schemes they offer.

1.2 Objective of the Study

- 1) Determine the employee awareness of various incentives employed by their employer to motivate them.
- 2) Establish employee's perception of the appropriateness of the incentives.

2. Literature Review

2.1 The Expectancy Theory

The expectancy theory is one of the motivational theories proposed by Victor Vroom in 1964. It encompasses what motivates employees in an organization. Motivation is a force that energizes, directs and sustains behaviour (Nteere, 2012). Expectancy theory asserts that individuals are motivated by internal and external conditions. Motivated performance requires a conscious decision, and people are motivated to do what they believe will result in the reward of highest value or probability. Expectancy theory assumes that persons work to optimize their expectations of attaining a valued outcome and those predictions can be made regarding their behavior if the factors that influence behavior can be quantified (Sanders, 2012).

According to the expectancy model, the decisions people make are governed by three quantifiable factors. The first factor, valence, is the perception of a positive or negative outcome. A positive outcome is achieved when the individual feels the reward is worth the perceived effort required. The second factor, instrumentality or performance to outcome, is governed by the likelihood of achieving the outcome after performing a particular behavior. This

important factor determines how closely employees recognize their behavior as connected to the final desired outcome. The third factor is expectancy or effort to performance, which is the individual's perception of whether or not the behavior required is achievable (Lunenburg, 2012).

The degree to which people are motivated will depend not only upon the perceived value of the outcome of their actions, the goal or reward, but also upon their perceptions of the likelihood of obtaining a worthwhile reward, i.e. their expectations. They will be highly motivated if they can control the means of attaining their goals. This indicates that employee incentive schemes, which are related to performance, competence, contribution or skill are effective as motivators only if people know what they are going to get in return for certain efforts or achievements. Applying expectancy theory in this study, is that the bank employees' perceptions is determined by the degree to which their effort will improve performance and productivity of the organization and the likelihood that after improving performance of the organization they will be effectively rewarded. The more closely the employees perceive work effort is linked to the desired reward or incentive, the greater the employees' motivation to expend effort (Adkins, 2014).

2.2 The Equity Theory

Equity theory is job motivation theory developed by John Stacey Adams in 1963. This theory focuses on whether an individual feels his or her treatment is fair in relation to others. Adam's equity theory is usually used to explain how employees judge the fairness of rewards or incentive received in proportion to resources invested for completing a task by assessing one's own investment-reward ratio, and compare it against the ratio of another colleague holding a similar position (Lai, 2009). According to equity theory dissatisfaction results when individuals perceive they are unfairly remunerated or rewarded when compared to other individuals. This perception is a result of an internal and subjective calculation performed by individuals as they compare their perceived work input and resultant output to the perceived work input and output of others (Al-Zawahreh & Al-Madi, 2013).

Inputs include such factors as hours worked, expertise, skill level, seniority, difficulty, level of responsibility, and education. Outputs include compensation, promotion opportunities, responsibility, job security, recognition, work schedule and work flexibility. When an individual perceives that their input exceeds the input of other individuals in relation to the resultant output, the conclusion that one has been treated unfairly may occur. The perceived inequitable treatment can impact employees' loyalty, organizational citizenship and motivation (Tudor, 2011).

Lai (2009) contends that there are three main result after an employee assesses input and output in relation to equity theory. The most ideal situation would be the employee feels equitable in terms of reaping the rewards sowed relative to a fair comparison with the other. Conversely, an unbalanced equation may indicate that the employee is over-rewarded or under-rewarded. The over-rewarded employee may feel compelled to be more productive. Whereas in the case of

under-reward, the employee will seek equilibrium by lowering input or negotiating a pay rise or in the worst scenario leave the organization.

2.3 Empirical Review

Incentives Scheme

An incentive scheme is any compensation that has been designed to recognize some specific accomplishment on the part of an employee (Melkamu, 2016). It is expected that the prospect of the incentive payment will trigger the desired performance behavior in the employee. According to Davidson (2013) there are three main aim of incentives: Management control, motivating employees to desired performance and recruiting and keeping employees. Since employees' objectives often differ from the organization's objectives, the purpose of management control is to secure that there is goal congruence between the employee's personal goals and the organization's goals (Merchant & van der Stede, 2008).

To motivate the employees according to Davidson (2013) is partly achieved when employees value the reward that is given after the desired result has been achieved. Ogbonnaya, Daniels and Nielsen (2017) contend that the wage is one part of the incentive system but since it is an obvious effect of work it might not be as important as other types of incentives. Employees expect to receive a wage, and therefore it is not as important when it comes to raising motivation apart from the size of it. Since different individuals respond to different incentives one key factor is to select a reward that is an incentive for as many individuals as possible. The third aim of incentive systems according to Davidson (2013) is to recruit and keep employees. He thinks that it is sometimes necessary for an organization to offer staff rewards in order to be an attractive employer on the labor market and in the line of business.

Hussein (2011) argues that organizations cannot realize the full potential of offering competitive incentive scheme unless employees have sufficient knowledge about them. Employees who are aware of incentive schemes being offered and those with accurate view of incentives coverage have higher valuation of the incentive they receive and are satisfied with their schemes than employees who are less informed of their incentive schemes (Markova & Jones, 2011). A study conducted by Mwangi (2014) revealed that employees who were most motivated by incentive schemes are those who had high level of awareness. The high motivation was because the respondents valued the incentives being given for performance.

According to Welpel and Wollersheim (2014) there are three categories of incentives: monetary incentives, tangible non-monetary incentives and intangible non-monetary incentives. Monetary incentives refer to financial rewards given to employees in terms of bonuses, insurances, paid leave among others. Tangible non-monetary incentives involves the indirect payment of money in the form tangible rewards such as gift cards, vocation trips and services such as meal treats and internet services. Intangible non-monetary incentives include the use of social rewards and task-related

rewards. Social-related rewards concern the organization's social practices such as employee being courteous and respectful to one another and managers recognizing employees for their hard work. Task-related rewards have the potential to address the intrinsic motivation of employees. It includes career advancement, job design, skills training and autonomy over work (Lai, 2009).

Perception

According to Daft (2013), perceptions are the way people organize and interpret their sensory input, or what they see and hear, and call it reality. Perceptions give meaning to a person's environment and make sense of the world. Perceptions are important because people's behaviors are based on their perception of what reality is. Therefore, employees' perceptions of their organizations become the basis on which they behave while at work. Otonde (2014) contends that people's avowed feelings and beliefs about someone or something are loosely related to how they behaved towards it. Therefore, the study of employees' perception is critical toward formulation and management of policies in an organization. Ismail and Ahmed (2015) report that the factors of recognition for performing well, chances of promotion, professional growth and incentive schemes, are perceived as motivating factors by many employees who will in turn feel satisfied.

Employee perception is a factor that can make a huge difference in the quality of the workplace. When employees view the employer, their work, and their relationships within that workplace as being positive, there is a good chance the employees will be productive and remain with the employer for a long time. Negative perceptions of the company and the working environment can cause qualified employees to seek opportunities elsewhere. The benefits paid and how they relate to the work assigned can have a huge impact on the perception of an employee. For many people, clear and concise communication within a working environment is essential. When employers choose to not create channels of communication with employees that allow each party to share information with the other, chances are that employee perception of the company will be less than ideal. Lack of communication can go a long way toward setting up a mentality that breeds negativity in the workplace, opens the door for rumors to develop, and can undermine the morale of even the most devoted of employees. Since most people work in order to earn a living, the matter of wages or salaries and benefits is also important to employee perception. As long as the employee feels properly rewarded for his or her efforts, there is a good chance the company will be perceived as being worth the effort (Melkamu, 2016).

3. Methodology

The study adopted descriptive survey design since it intended to gather quantitative and qualitative data from employees of the Cooperative Bank of Kenya regarding their perception of incentive scheme. The population of this study consisted of the cooperative bank of Kenya staff in selected branches in Nairobi. The respondents were selected using random stratified technique. The sampling frame of this study is shown below.

Table 3.1: Sample Size

Branch	Sample size	
	Clerks	Section Heads
University way	23	24
Moi Avenue	24	23
City Hall	23	23
Total respondents	70	70
Grand total	140 Respondents	

The study used questionnaires and interview schedule to collect data. The qualitative data was collected by use of a questionnaire made up of open-ended questions and interview guides, which enabled respondents to freely express themselves in detail. On the other hand quantitative data was collected by use of a questionnaire composed of close-ended questions. The Statistical Package for Social Sciences (SPSS) version 22 was used in data analysis due to its ability to analyze both quantitative and qualitative data.

4. Result and Discussion

4.1 Length of Service

The study sought to find out the duration staff had stayed working at Co-operative Bank. The findings on the length of service are as shown in table below.

Table 4.1: Length of Service

Years	Frequency	Percent	Cumulative percent
0 to 5	114	81.4	81.4
6 to 10	6	4.3	85.7
11 to 15	10	7.1	92.9
16 to 20	4	2.9	95.7
Over 20	6	4.3	100
Total	140	100.0	

Table 4.1 shows that out of the total respondents; 81.4% have worked for the organization for less than five years, 4.3% between six to ten years, 7.1% between eleven to fifteen years, 2.9% between sixteen and twenty years and 4.3% have worked for the organization for more than 21 years. This is an indication that majority of respondents have not stayed for long time working for cooperative bank of Kenya.

4.2 Employee Awareness of the Existing Incentive Schemes.

The study sought to find out employees' awareness of incentive schemes being offered by Co-operative Bank of Kenya. This was evaluated by the question, Are you aware of incentive schemes offered by your employer? The result are presented in the pie chart below.

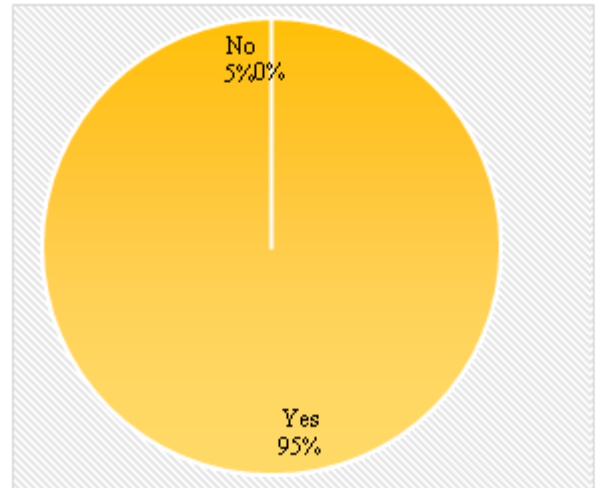


Figure 4.1: Staff Awareness of Incentive Schemes Offered by Their Employer

Figure 4.1 shows that 95% of respondents are aware of existing incentive schemes and only 5% reported unawareness of the schemes. This shows that there is high awareness of the incentive schemes offered by the bank. It reveals that the employees see these schemes as important components of their working compensation hence seek to know more about them. This is in line with Mwangi (2014) finding that employees who were most motivated by incentive schemes are those who have high level of awareness.

The study further sought to know whether employee were aware of specific incentive schemes offered by the bank. The result are shown in the table below.

Table 4.2: Staff Awareness of Various Incentive Schemes

Incentive	Frequency	Percentage
Medical cover	137	98%
Christmas	134	96%
Interest free education loans	129	92%
Low interest staff loan	122	87%
Bonus	119	85.3%
Waiver of Credit Card Subscriptions	118	84.6%
Lunch Allowance	116	83%
Travelling Allowance	109	78%
Children's Education Loans	97	69%
Entertainment Allowance	59	42%
Club Membership	43	31%
Utility Allowance	33	23.8%

Table 4.2 shows that 98% of staff mentioned medical cover, 96% Christmas party, 92% were aware of interest free education loan, going down to low interest staff loan mentioned by 87%. The least mentioned incentives include; utility allowance mentioned by only 23.8%, club membership mentioned by 31% and entertainment allowance mentioned by 42% of the staff. This shows that employees get informed more about the schemes that apply to them because the least mentioned schemes are the ones offered to the management cadre of staff. According to Melkamu (2016) clear and concise communication within a working environment is essential to create employee positive perception in the working environment.

4.3 Comparison of Perceived Importance and Appropriateness of Various Incentives

The study sought to determine the staff perception of the incentive schemes that the bank offered. This was assessed

based on a list of incentives consisting of the ones offered by the bank and some not offered. Each of the incentive was evaluated based on a 5 Likert scale where 1=Very Important 2= Important, 3= Indifferent 4= Not Important 5=Not Important At All.

Table 4.3: Comparison of Importance Staff Attaches to Various Incentive

	N	Minimum	Maximum	Mean	Standard Deviation
Importance of Children Education Package as Incentive	140	1	5	2.71	1.152
Importance of Workplace Interaction as Incentive	140	1	4	2.4	1.274
Importance of Staff Loans as Incentive	140	1	3	2.07	0.783
Importance of Bonuses as Incentive	140	1	11	2.06	1.334
Importance of Inclusiveness in Decision making as Incentive	140	1	3	2	0.739
Importance of Having Room to Pursue Personal Interests as Incentive	140	1	3	1.84	0.842
Importance of Having Insurance Cover as Incentive	140	1	4	1.83	0.699
Importance of Allowances as Incentive	140	1	3	1.76	0.767
Importance of Flexible Working Hours as Incentive	140	1	4	1.76	0.645
Importance of Promotion as Incentive	140	1	3	1.51	0.529
Importance of Salary as Incentive	140	1	3	1.46	0.808
Importance of Training Opportunity as Incentive	140	1	2	1.43	0.497
Importance of Freedom to Plan Own Career Growth as Incentive	140	1	3	1.36	0.51

The result in Table 4.3 shows that children education package with a mean of 2.71, work place interaction second with a mean of 2.4, Staff loans with a mean of 2.07, bonuses with a mean of 2.06 and inclusiveness in decision-making with a mean of 2 were the highest valued incentive. On the other hand the least important incentive include; flexibility of working hours with a mean of 1.76, promotion-mean 1.51, Salary-mean 1.46, training opportunities-mean 1.43 and freedom to plan own career growth-mean 1.36. This

implies that the employees attach different weights to various incentives and also show high rating for children education package and staff loans and low rating for freedom to plan own career that some incentives are more powerful than others in motivating employee's performance.

The researcher also tried to find out how satisfactorate various incentives offered by the bank were perceived by staff of the bank. The table below shows the result

Table 4.4: Satisfactorate Levels of Incentives

	Very satisfactory	Satisfactory	Indifferent	Not satisfactory	Not satisfactory at all
How satisfactory is low interest loan	62.1%	17.9%	10%	4.3%	5.7%
How satisfactory is education loan	47.9%	25.7%	10%	7.1%	9.3%
How satisfactory is the bonus	66.4%	7.1%	8.6%	17.9%	0
How satisfactory is medical cover	32.1%	40.7%	7.1%	15%	5%
How satisfactory is waiver on credit card membership	39.3%	25%	5%	30.7%	0%
How satisfactory is lunch allowance	33.4%	22.4%	21.2%	19.5%	3.5%
How satisfactory is Christmas	18.9	17.5	29%	23%	11.6%
How satisfactory is club membership	15.4%	17.2%	46%	13.3%	8.1%
How satisfactory is utility allowance	12.6%	17.3%	57.9%	10.8%	1.4%
How satisfactory is entertainment allowance	13.8%	12%	34%	36%	4.2%
How satisfactory is travelling allowance	11.9	8.1	23%	49.8%	7.2%
How satisfactory is end of year party	5.7%	4.3%	13%	46.8%	30.2

When asked how satisfactory the various incentives offered by the bank are, the highest rating went to low interest staff loan with a general satisfaction rating of 80% (62.1% Very satisfactory and 17.9% Satisfactory) seconded by education loan with 73.6%, bonus 73.5%. The lowest rating on the other hand goes to; end year party with general satisfaction rating of 10% (5.7% Very satisfactory and 4.3%) followed by traveling allowance 20% satisfaction rating.

that Incentives schemes are difficult to individualize because different individuals respond to different incentives. Therefore, there is need to find out the incentives that fit many in an organization for them to be effective.

4.4 Comparison between Cash and Non-cash Incentive

The research sought to find out the most preferred incentives between cash and non-cash incentives. The result are in table below

This shows that although employees consider these incentives as important factors in boosting their performance, the effectiveness of the various incentives in satisfying them hence boosting their performance varies. Low interest rate staff loans and education loans are highly valued incentives while end year party, travelling and lunch allowances are generally seen as less incentives by the staff. This is in line with Davidson (2013) view who contended

Table 4.5: Comparison of Cash and Non-cash Incentives Preferences

	Frequency	Percent	Cumulative percent
Strongly agree	42	30.0	30.0
Agree	20	14.3	44.3
Indifferent	26	18.6	62.9
Disagree	6	4.3	67.1
Strongly Disagree	46	32.9	100.0
Total	140	100.0	

Table 4.5 shows that 30% strongly agree that cash incentives should be more than non-cash ones, 14.3% agree, 18.6% are indifferent, and 4.3% disagree while 32.9% strongly disagree. These responses imply that cash incentives are highly preferred by the bank employees as motivators. The response validates Fredrick Taylor's scientific Management principles developed in 1911 which advocates for monetary rewards incentives. His rationale that workers are rational beings who make economic choices based on monetary rewards seems to be vindicated a century later.

4.5 Staff Perception of Performance Evaluation

The study sought to determine perception of performance evaluation. This was evaluated by asking respondent; how are current performance evaluation tools? The figure below shows the result.

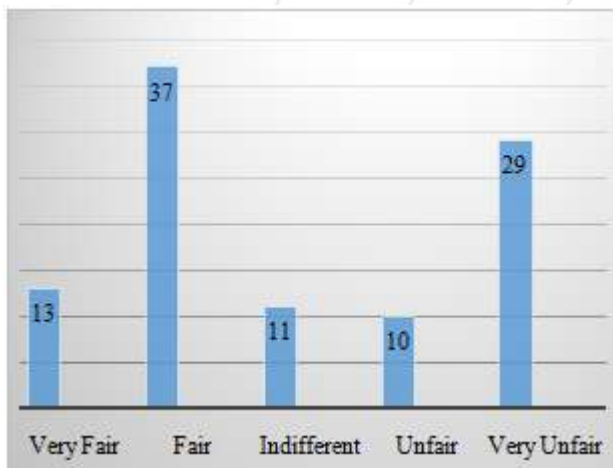


Figure 4.2: Perception of performance Evaluation

As shown on Figure 9 above, 37% of respondents felt that performance evaluation tools are fair, 29% very unfair, 13% very fair, 11% were indifferent while 10% felt that the tools are very unfair. This is in line with the sentiments expressed by the key informants that there are always mixed reactions to performance evaluations with those getting a positive review feeling more positive about them and those who gets negative reviews or unexpected reviews expressing some cynism.

4.6.1 Performance Evaluation and Performance Improvement

As shown on figure 4.3 below: 14% of respondents strongly agree that performance evaluation help improve performance, 19% agree, 44% are indifferent, 6% disagree while 17% strongly disagree. Generally 33% agree, 44% are indifferent while 23% disagree. This shows a simple majority concurrence that performance evaluations help

employees to indifferent showing that they are skeptical with the whole process of evaluations and their contribution to uplifting performance.

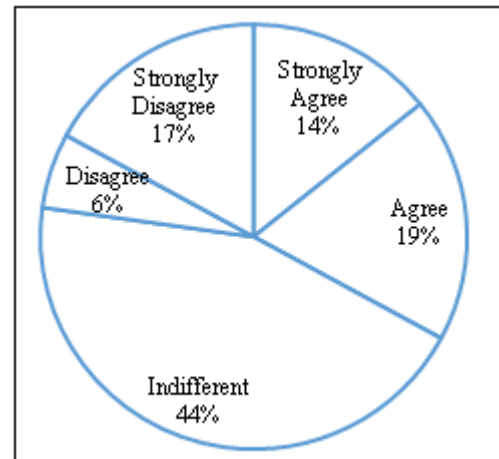


Figure 4.3: Performance Evaluation Help Improve Staff Performance

4.6.2 Relationship between Incentives and Performance

The study sought to find out the perception of employees in regard to whether incentives were given based on performance. The findings are as shown in figure below.

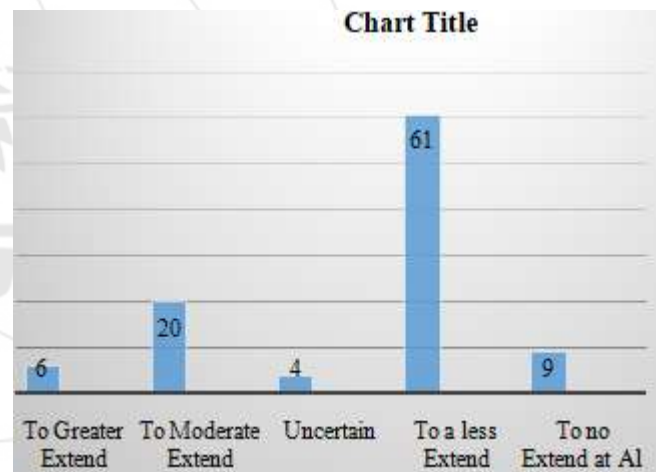


Figure 4.4: Extent Incentives are Given Based on Performance

The result in figure 4.4 show that overwhelming 61% were given based on performance to a less extend, 9% to no extend at all, 4% uncertain, 20% to a moderate extend and 6% to a greater extend. This shows that a majority of staff believe that incentives in the bank are given based on other considerations and not necessarily the performance of the given employee.

5. Conclusion and Recommendation

Cooperative bank of Kenya has a diverse incentive schemes that are given to its employees to motivate them and improve organization performance. Furthermore, the bank has ensured that all its employee are informed on incentive scheme that apply to them. Despite, a number of incentives being given to employee it was revealed that some incentives are more powerful than others in motivating workers. This is because some are more valued than others,

cash incentives are more preferred than non-cash incentives. In regard to whether incentives are given based on performance, majority were of the opinion that incentives are given to other considerations rather than performance. The study recommend that to retain the youthful and motivated workforce the bank should come up with short term financial schemes other than the pension scheme. It is also recommended that the bank should constantly conduct audit on employee incentives perception in order to access their relevance.

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