

# Measuring Employee Satisfaction Towards Financial As Well As Non-Financial Incentives: An Empirical Study In The Hotels Of Dehradun.

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## ABSTRACT

The aim of this study is to find how different incentives affect employee satisfaction. In the study, the effects of recognition, participation, feedback, financial incentives, non-financial incentives and benefits on employee satisfaction are studied. It is found that different incentives have different effects on performance and job satisfaction. Incentives effect on employee satisfaction is studied through critical literature review and interview research.

On the basis of the literature review, it seems that all the incentives whether financial or non-financial are important but they have different meanings for every employees. Indeed it seems that there are two different aspects in rewarding. These two aspects are effectiveness and humanity. Effectiveness aspect which is directly linked to the financial incentives means that employees feel that they are justified to get financial incentives because they are putting that much extra effort on work. For the humanity aspect which is linked with non financial incentives, it is important that employees feel that employer is interested in employees, their work and well-being. The rewarding of the humanity aspect is much more important in creating and increasing job satisfaction whereas the rewarding of the effectiveness aspect affects performance in a different way. Hence, different types of incentives(financial and non financial) have different effects on performance and employee satisfaction. However, it is important to notice that these aspects complement each other.

Keywords: Incentives, Financial Incentives, Non Financial Incentives, Employee Satisfaction.

## INTRODUCTION

Nowadays, mostly companies use some kind of incentives whether financial or non financial to motivate the employees to enhance the performance and provide employee satisfaction. In the past two-three decades, incentives seen to become more popular and companies invest lots of finances in the incentive plans. The aim of the study is to research how financial and non financial incentives affect the performance and employee satisfaction. In the study, the effects of recognition, appraisal, participation, feedback, financial incentives, non-financial incentives and employee satisfaction are researched. It is stated that different incentives have different effects on motivation and employee satisfaction. Hence the idea is to find balance between incentives which create employee satisfaction which improve performance. In the study above mentioned incentives effects on job satisfaction and performance are researched through critical literature review. Incentives are categorized into two groups- financial and non-financial incentives.

Financial incentives mainly include base pay, profit sharing, gain sharing, benefits, initiative rewards and special rewards. Except for benefits and special rewards financial incentives are typically paid as money. Non-financial incentives mainly include feedback, recognition, appraisal, participation. Among all other different incentives, financial incentives are the most studied and several studies have researched how monetary incentives affect motivation and performance. Many of the researchers have found positive relation between monetary incentives, performance and employee satisfaction.

## LITERATURE REVIEW

**Akanbi (2008)**, in his study, he investigated the influence of intrinsic and extrinsic factors of motivation on performance of employees. In analysis, it was found that, with a rise in the external motivation factors, like salary, a corresponding increase has been found in the performance level of workers.

**Navdeep Kumkar (2011)**, his study found that highly motivated and highly satisfied employees are the core strength for the success of every organization. The study focused on the influence of motivation factors- salary, facilities and promotion on the employees satisfaction level within the organization. In analysis, it was founded that among three variables, salary turned out to be the driving factor of motivation on the employees performance level.

**Farhad Ebrahim Abadi (2011)**, in his study, he focused on the influencing motivation factors based on expectancy theory on the employees of National Iranian Oil Products Distribution Company in Isfahan and Kurdistan. He found that when an employee performs upto the standards, expects Good pay, bonuses and salary hike and the motivation level of employees decreases if they do not receive theses extrinsic rewards or very less of the incentives.

**Malik Muhammad Shabiq (2011)**, in his study, he found that salary plays a very important role for the employee motivation in comparison to other variables like job security, promotions, good working conditions, appreciation of work done. The study on employees working in banks found that good salary could retain high performing employees and satisfy the legal standards.

**Faheem Ghazanfar (2011)** used a theoretical framework which is based on Expectancy Theory, examined that the relationship between satisfaction level of employees with compensation and workforce in Pakistan. The factors included fixed pay, variable pay and the benefits were examined. The study showed that variable pay did not work as a motivational force in the jobs.

**Muhammad Arshad, Mohammad Safdar & Qamar-u-Din (2012)**, from their study presumed that better paid employees were more satisfied and highly motivated. A study conducted on the employees motivation in Islamabad, proved that a good combination of positive factors with good salary would increase the motivation level of the work force.

**Dr. Okan (2012)**, on his study on Universality of factors motivating employees, examined the various factors like fair wages, promotion policies, working environment that affected the motivation level of the employees working in the banking sector, Cyprus. The study found that fair remuneration and other monetary benefits included in the emolument offered were proved to be the most influencing factors in employee motivation.

According to the study of **Dr. Muhammad Naseer Ud Din (2012)**, the motivation holds a pivotal role in the teaching and learning process. Among the factors, namely, Economic Status, Relationship with

colleagues, Examination stress, Appreciation and anxiety, Reward and incentives, it is found that financial incentives and economic status had more effect on teachers' motivation level.

**Prathyay Pratim Datta (2013)**, in an innovative study proved that motivation and satisfaction of employees were the two key factors for the adequate productivity of any organization. On a cross-section study of the employees working in four corporate hospitals, factors like increment and promotions, accidental compensations and medical allowance provided by the organization were found to be the motivating factors for the employees.

**Sarang. S. Bhola (2013)**, on the study of comparative assessment of employees' towards motivational practices, found that individual financial incentives and salary increment were the most important factors for the employees' satisfaction and motivation. The study suggested that the companies should pay more attention on individual financial incentive programs to attract their employees.

**Renu Sharma (2013)** on her study analyzed the impact of different components of compensation on motivation level of employees. The study classified the compensation into five components, namely Basic salary, short-term incentives, long term incentives, benefits and services, and finally perquisites. It was found that short term and long term incentives found to motivate the employees and concluded that the compensation package should include benefits other than performance link pay.

**Stajkovic and Luthans (2001)** conducted a study in two aspects which conducted the same tasks and located miles apart from each another. According to the study, financial incentives improved the performance over 30% as compared to those who did not get any incentives. Similarly, other researchers conducted similar studies and found that performance increases in groups with financial bonus system whereas in control group performance generally stays at the same level (**Pelty, Singleton & Connell 1992; Hanlon & Taylor 1994; Condly, Clark & Stalovieth 2003**).

**Locke at al. (1980)** compared the individual pay incentives, job enrichment and employee participation and found that financial rewards are most efficient and effective. There are several studies which concluded totally different results. According to these researches, financial incentives have no effect or less effect on performance. In their study, **Camerer and Hogarth (1999)** stated that while conducting the research, financial incentives have no effect on mean performance.

Pfeffer's example also states against the motivating effect of money. According to **Pfeffer (1998)** Southwest Airlines have never used financial rewards in order to upgrade performance and they are number one in productivity in the airline industry in which financial incentives are mostly used.

## RESEARCH OBJECTIVES AND METHODOLOGY

### RESEARCH OBJECTIVES

- To identify various financial and non financial incentives used by hotel

Industry.

- To analyze the impact of financial and non financial incentives on

employee satisfaction in hotel industry in Dehradun.

## DATA COLLECTION

Data collection is a systematic process of gathering relevant and required information for the study from a various sources. There are two types of sources of data collection.

Primary Source:

Following are the primary sources- personal Interview, questionnaire, observation.

The questionnaire was constructed in four sections comprising;

Section I: Demographic information of respondent.

Section II: Employee Satisfaction

Section III: Financial Incentives

Section IV: Non-Financial Incentives

Questionnaire was answered with the help of Likert Scale, which helped in determining the percentage value of each parameter. A five point scale was used with one being Strongly Disagree to Strongly Agree.

Secondary Source:

Secondary data are those which have already been collected by some other people for some purpose other than the problem at hand. Secondary sources to collect the data are journals, periodicals, publications, books etc.

**SAMPLE SIZE:** A total of 100 employees of executive level of 4-5 star hotels.

**SAMPLE AREA:** Selected hotels of Dehradun.

**SAMPLING TECHNIQUE:** Convenient sampling is used.

## HYPOTHESIS TESTING:

Following is the hypothesis to be tested which is based on the objectives of this study

Hypothesis 1:

Ho: There is no significant impact of employee satisfaction in the organization

Performance regarding incentives.

H1: There is significant impact of employee satisfaction in organization performance

Regarding incentives.

**REGRESSION ANALYSIS:****Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.718 <sup>a</sup>	.516	.506	.23199

a. Predictors: (Constant), Non-financial incentive, Financial incentive

The information presented in table shows the R, R-Squared, Adjusted R Square and Std Error. R denotes the

**Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.700	.183		20.193	.000
	FI	-.678	.078	-.812	-8.642	.000
	NF	.594	.061	.915	9.735	.000

a. Dependent Variable: ES

correlation between observed and predicted values of the dependent variable. The value of R ranges from -1 and 1. Small values indicate that the model does not fit the data well. In this case,  $R = .718$ . The above table shows the model summary and overall fit statistics. We find that the adjusted  $R^2$  of our model is 0.516 with the  $R^2 = .506$  that means that the linear regression explains variance in the data.

**Interpretation:** In the Table, the standardized coefficient values are given for employee satisfaction as dependent variable and financial incentive & non financial incentives as independent variable. The test results showed negative relative change between financial incentive and employee satisfaction. It means 1 unit change in financial incentive leads to -.812 relative changes in employee satisfaction. While in case of non financial incentives there is a positive relationship between the factors. The test results showed that 1 unit change in non financial incentives leads to .915 unit change in employee satisfaction.

## FINDINGS

- The attitudes on financial incentives are found to be lower than non-financial incentives.
- A high-level positive and significant relation is determined between non-financial incentives used in hotel industry and job satisfaction levels of employees.
- The more positive attitude towards non-financial incentives, the more the employee satisfaction increases.

## CONCLUSION

The study assessed the impact of reward elements, monetary and non-monetary as means of motivating employees. The organizational problem is to ascertain the ideal reward system which could be utilized to increase employee motivation and at the same time to achieve the organizational objectives.

The first objective of this study was to identify different financial and non-financial rewards used by the hotel industry. According to the study, financial factors namely salary, and bonus are used. Non financial incentives that are majorly used are recognition, work environment, communication between the management and personal development.

The second objective of this study was to identify the impact of financial and non-financial rewards. Accordingly, the study shows that there is a negative relationship between the monetary and positive relationship between non-monetary rewards and satisfaction.

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