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# EFFECT OF FINANCIAL AND NON-FINANCIAL INCENTIVES ON STAFF PRODUCTIVITY

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**Abstract:**

This study looks at the effects of both monetary and non-monetary incentives on employees' output at work. The study investigates the ways in which these incentives impact worker engagement and motivation, which in turn impacts output. The results indicate that by offering concrete rewards for meeting goals, financial incentives like performance-based bonuses might increase productivity. Furthermore, non-monetary rewards such as recognition initiatives and professional growth chances support higher levels of job contentment and employee involvement, which in turn boost output. The study emphasizes how crucial it is to have a balanced strategy that incorporates both kinds of incentives in order to maximize employee performance. Organizations can create incentive programs that effectively boost employee engagement and overall success by taking into account the effects of these incentives on worker productivity.

## Introduction:

An individual is positively motivated by the incentive, which enhances his performance. It follows that every action the management does to raise employee performance might be considered an incentive. Financial and non-financial incentives make up the two main categories of the incentives. Monetary Rewards: Given the socioeconomic climate of today, money plays a crucial role in our daily lives. Almost all of our demands can be met by money because of its purchasing power. Financial incentives, then, are those that can be measured in monetary terms or that are directly expressed in monetary terms. Individuals' desires for future security and money might be met by financial incentives offered to groups or to individuals. The most widely utilised financial incentives are profit sharing, productivity-linked wage incentives, bonuses, pay and allowances, etc. Non-Potential Rewards: In addition to material and future security demands, people also have psychological, social, and emotional requirements. Meeting these requirements is crucial to their motivation as well. Non-financial incentives are primarily concerned with meeting these demands, which makes it impossible to quantify them in monetary terms. It is possible, nevertheless, for a specific non-financial incentive to simultaneously entail the financial incentive. For instance, a person's psychological requirements are satisfied when they are promoted because they have more authority. Not only does his status rise, but he also benefits financially as his pay increases. Non-monetary incentives that are most frequently offered include: job enrichment, career progression opportunities, organisational climate, and status.

## Research Aim and Objectives:

- To list the several monetary and non-monetary incentives that businesses use to raise worker productivity.
- To determine the connection between worker productivity and incentives.
- To offer recommendations for improving the efficacy of the incentive system.
- Examine the relative merits of monetary and non-monetary rewards in various workplace settings.

## Literature Review:

1. Financial Incentives: Studies have indicated that bonuses and performance-based compensation, for example, can have a favourable effect on worker motivation and output. Research has indicated that the efficacy of financial incentives can be influenced by the amount and frequency of rewards; higher productivity is associated with larger and more frequent rewards. It is noteworthy, nonetheless, that the correlation between monetary incentives and productivity may not always be clear-cut, as variables such as individual variances and job attributes may also come into play.

2. Non-Financial Incentives: Research has shown that non-financial incentives can improve employee satisfaction and engagement, which can therefore have a good effect on productivity. Examples of these include recognition programmes, flexible work schedules, and opportunities for professional development. Non-financial incentives, according to research, can be more successful at inspiring workers who value intrinsic rewards like autonomy or a feeling of purpose. To optimise their impact, non-financial incentives should be designed and implemented with consideration for individual preferences and organisational culture.

3. Combined Approach: Some studies have indicated that a combination of financial and non-financial incentives can yield the greatest impact on staff productivity. Integrating both types of incentives allows organizations to address different motivational needs and create a more comprehensive approach to enhancing productivity.

## Theoretical Perspectives on Financial and Non-Financial Incentives:

Theoretical outlook on monetary and non-monetary rewards financial incentives are distinct from non-financial incentives in that the former are material rewards such as cash, bonuses, and perks. Non-financial incentives, on the other hand, are immaterial benefits like acknowledgment, accommodating work schedules, and a happy workplace. Non-financial incentives include non-monetary advantages like job satisfaction and recognition, whereas financial incentives include monetary rewards like bonuses and salary. Personal development and intrinsic motivation derived from internal fulfilment are common themes in non-financial incentives. cash incentives, on the other hand, are motivated by both direct cash gain and extrinsic motivation.

## Methodology:

SOURCE OF DATA: Primary and secondary data will form the foundation of this investigation. Questionnaires will be used to gather primary data. Review papers and websites will be used to gather secondary data.

RESEARCH TYPE: The data will be analysed using descriptive, applied, and conclusive research based on correlation approach and cross-sectional research analysis.

DATA COLLECTION: Information will be gathered from organisation personnel.

INSTRUMENT: The researchers created a questionnaire to gather information from the employees' chosen samples.

SAMPLING METHOD: For a study on the effect of financial incentives on employee performance, participants are chosen at random from the organisation using the simple random sampling approach.

SAMPLE SIZE: For the purpose of research and analysis, data was gathered from a sample size of 60 employees from various categories in different organisations.

## Data Collection:

Data analysis is the process of inspecting, cleaning, transforming, and modelling data with the goal of discovering useful information, drawing conclusions, and supporting decision-making. It involves systematically examining data to identify patterns, trends, relationships, and insights that can help solve problems, make informed decisions, and gain a deeper understanding of a given subject.

1. What non-financial incentives or rewards do you receive at your workplace?

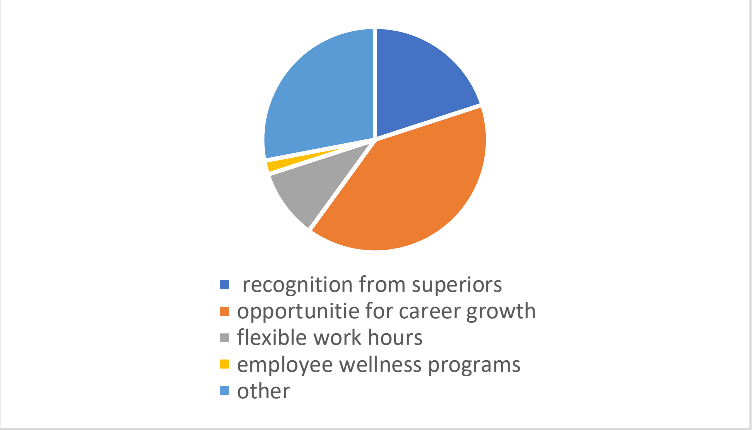

Table No.1

| Rewards | No. of respondents | Percentage |
|---|---|---|
| Recognition from superiors | 10 | 20% |
| Opportunities for career growth | 20 | 40% |
| Flexible work hours | 5 | 10% |
| Employee wellness programs | 1 | 2% |
| Other | 14 | 28% |
| TOTAL | 50 | 100% |

Comment:

The above table reveals that 40% of the respondents receives opportunity for career growth.

20% of the respondents receives recognition from superiors.

10% of the respondents receives flexible work hours.

2% of the respondents receives employee wellness programs.

2. How do these non-financial incentives impact your motivation and productive?

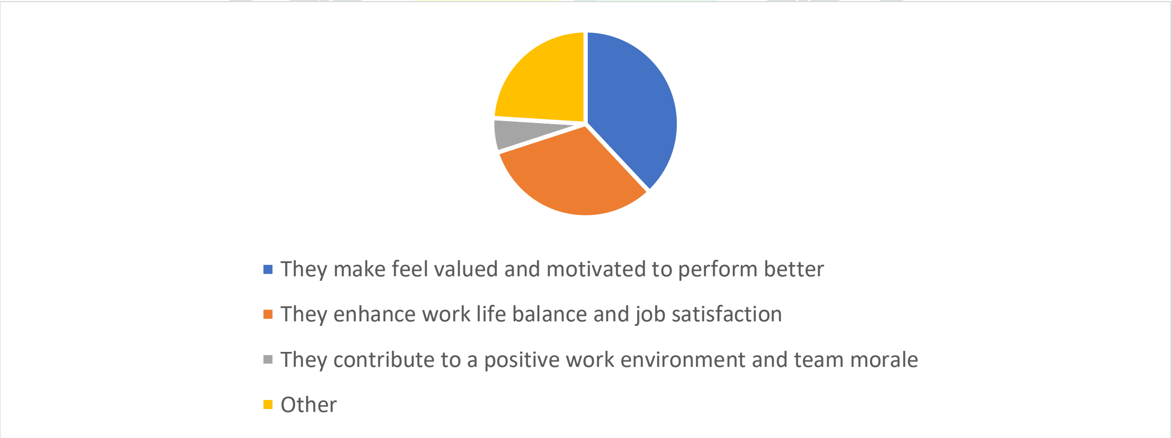


Table No.2

| Impact | No. of respondents | Percentage |
|---|---|---|
| They make feel valued and motivated to perform better | 19 | 38% |
| They enhance work life balance and job satisfaction | 16 | 32% |
| They contribute to a positive work environment and team morale | 3 | 6% |

| | | |
|---|---|---|
| Other | 12 | 24% |
| TOTAL | 50 | 100% |

Comment:

The above table reveals that 38% of the respondents feel valued and motivated to perform better.

32% of the respondents enhance work life balance and job satisfaction.

6% of the respondents contribute to a positive work environment.

3. On a scale of 1-10, how important do you think financial incentives are in driving staff productivity?

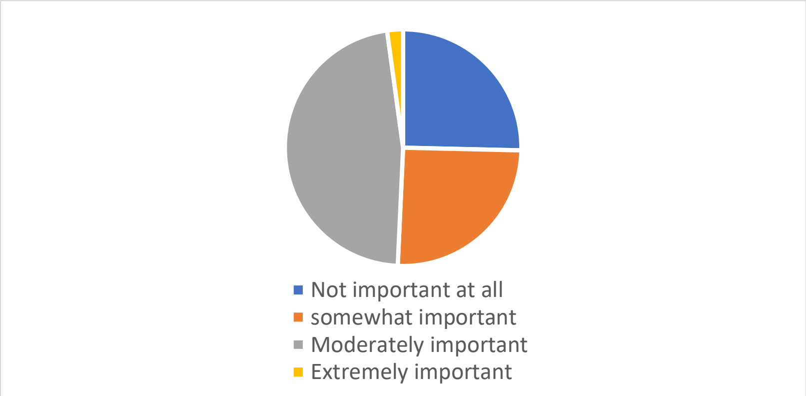


Table No.3

| Scale | No. of respondents | Percentage |
|---|---|---|
| Not important at all | 7 | 14% |
| Somewhat important | 7 | 14% |
| Moderately important | 13 | 26% |
| Extremely important | 23 | 46% |
| TOTAL | 50 | 100% |

Comment:

The above table reveals that 46% of the respondents think financial incentives are extremely important.

26% of the respondents think financial incentives are moderately important.

14% of the respondents think financial incentives are somewhat important and as well as not important at all.

4. On a scale of 1-10, how important do you think non-financial incentives are in driving staff productivity?

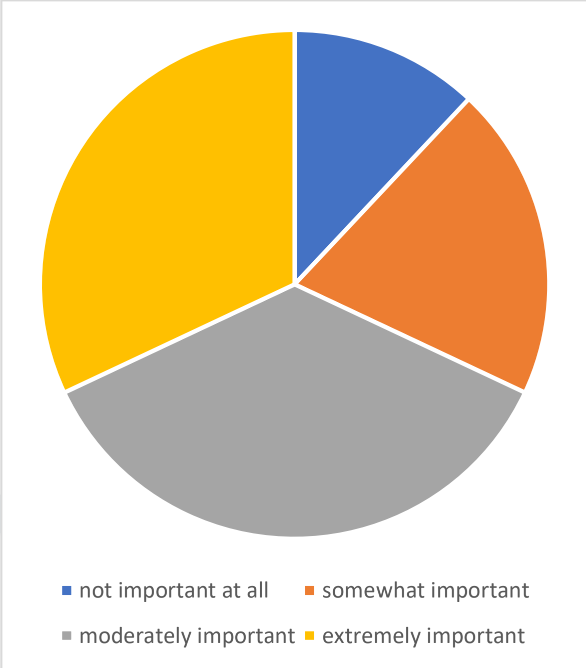


Table No.4

| Scale | No. of respondents | Percentage |
|---|---|---|
| Not important at all | 6 | 12% |
| Somewhat important | 10 | 20% |
| Moderately important | 18 | 36% |
| Extremely important | 16 | 32% |
| TOTAL | 50 | 100% |

Comment:

The above table reveals that 36% of the respondents think non-financial incentives are moderately important.

32% of the respondents think non-financial incentives are extremely important.

20% of the respondents think non-financial incentives are somewhat important.

12% of the respondents think non-financial incentives are not important at all.

5. In your opinion, which do you think has a greater impact on staff productivity: Financial Incentives or Non-Financial Incentives?

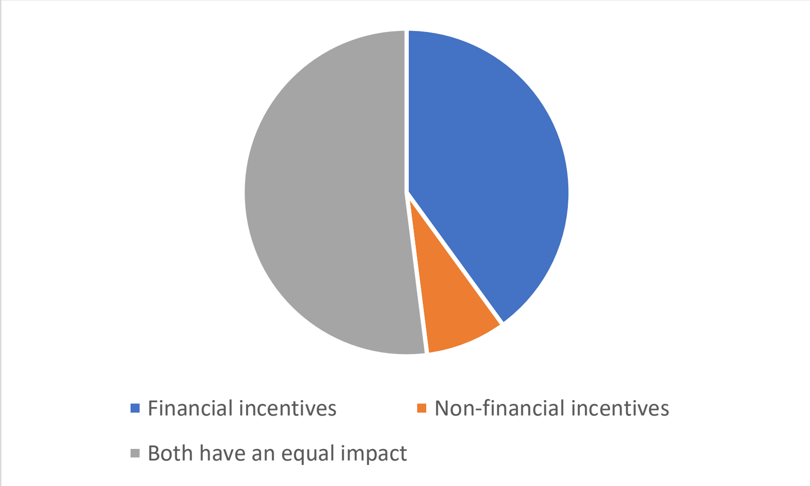


Table No.5

| Greater impact | No. of respondents | Percentage |
|---|---|---|
| Financial incentives | 20 | 40% |
| Non-financial incentives | 4 | 8% |
| Both have an equal impact | 26 | 52% |
| TOTAL | 50 | 100% |

Comment:

The above table reveals that 52% of the respondents think both have an equal impact on staff productivity. 40% of the respondents think financial incentives has a greater impact on staff productivity.

8% of the respondents think non-financial incentives has a greater impact on staff productivity.

**Recommendations:**

The study's conclusions led to the formulation of the following suggestions.

1) With employees (staff), the company (management) should go over and enhance job descriptions and guidelines.

2) It is advisable to support changes to pay, benefits, leave policies, retirement plans, and affordable housing initiatives.

3) Offering promotions on a regular basis would improve employee performance.

4) Regular audits should be conducted in order to tailor in-service training for different employee groups and provide them with the chance to advance their technical, conceptual, and interpersonal abilities.

**Conclusion:**

Employee performance is impacted by both monetary and non-monetary incentives, according to the study. Non-financial incentives are just as important as financial ones in helping. Peninsula workers make ends meet and improve their socio-economic status in Lagos's unstable economy, where wages are not keeping up with rising costs of goods and services. The study comes to the conclusion that the company as a whole will profit when employers (management) take note of employees' (staff) financial and non-financial issues.

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