FACTORS INFLUENCING CHOICE OF REWARD SYSTEM IN DEPOSIT MONEY BANKS IN AKURE, ONDO STATE, NIGERIA

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Abstract— **This study aimed to identify the factors influencing the choice of reward system in deposit money banks in Akure, Ondo State, Nigeria. The research adopted a qualitative method in which a Likert Scale well-structured questionnaire was used for data collection. Purposive sampling was used where the researcher targeted participants who possess characteristics or experiences relevant to the study and whose judgement is important to the study. Cluster sampling technique which is a type of simple random sampling was then selected. The population of this study were the 290 employees of Wema Bank, First Bank, Sterling Bank, and United Bank for Africa (UBA) branches which are deposit money banks in Akure. Taro Yamane method was used to calculate the sample size of 168 used in this study. The data was analysed using Relative Importance Index (RII). The major findings of the research indicated that aligning rewards with organizational strategy was the most important factor, followed by organizational culture and values, and employee performance.**

Keywords: **Reward system, Factors influencing, Deposit money banks, Choice.**

I. INTRODUCTION

The study of reward systems has garnered significant attention in organizational psychology and management literature over the past few decades. These systems are designed to motivate employees, reinforce desired behaviors, and enhance performance in organizations that adopt their use of them. In deposit money banks, where employees are tasked with various responsibilities ranging from customer service to financial analysis, understanding the factors influencing the choice of reward system is paramount.

Reward systems encompass a variety of tangible and intangible benefits, including monetary compensation, recognition, and opportunities for employee development (Armstrong and Taylor, 2020). The choice of a reward system is often influenced by employee preferences, industry standards, Industry norms, organizational culture and values (Milkovich et al., 2014). As competition within the banking sector intensifies, banks need to reassess how their reward system aligns with employee expectations and organizational goals. Therefore, understanding the factors influencing the choice of reward system is essential for the deposit money banks to attract, retain and motivate their talents.

This study seeks to explore these factors, providing insights into how organizations, especially deposit money banks in Akure can make strategic decisions about their reward systems and the implication of these choices on employee satisfaction and organizational performance.

II. LITERATURE REVIEW

A reward is any visible or invisible benefit given to employees for work done from employment (Lawler, 2019). These rewards can be financial or non-financial benefits and are factors that lead to satisfaction and help to motivate individuals or employees to higher levels of performance (Herzberg et al., 2018). A reward system can be defined as a combination of both financial and non-financial rewards designed to motivate and retain employees which in turn enhances individual and organizational performance (Allen et al.,2020). Bauer and Erdogan (2019) also defined reward systems as the formal and informal methods used by organizations to recognize and compensate employees for their contributions to achieving organizational objectives. A

well-designed reward system will positively impact employee motivation leading to improved performance (Abdelal and Alalwan, 2022). Giving rewards to employees in different organizations has been said to motivate employees to perform better at their jobs, help retain the best talents in the organizations and promote a good working system.

Financial rewards are monetary rewards provided by organizations to employees which are aimed at motivating and rewarding employee contributions to an organization's success (Allen et al., 2020). These rewards include components such as bonuses, profit sharing, competitive salary structures, merit-based pay increases, and stock options. These financial rewards serve as powerful incentives that can influence employee performance which will enhance the growth of any organization. Financial rewards incentivize employees to perform at their best and strive for excellence. Different Studies have shown that performance-based bonuses and merit-based pay increases can lead to improvements in individual and team performance, as employees are motivated to meet or exceed performance expectations to earn rewards. Non-financial rewards can be defined as non-monetary rewards provided by organizations to employees aimed at enhancing employee engagement, motivation, and performance (Brown et al., 2021). It can also be defined as non-monetary elements of the work environment that contribute to employee satisfaction and motivation (Smith and Brown, 2023). Non-financial rewards play a crucial role in motivating and engaging employees to perform better. These rewards include recognition, opportunities for personal development, flexible work arrangements, and a positive work environment. The choice of reward system within any organization is influenced by various factors, each of which plays a crucial role in aligning the reward strategy with organizational goals, culture, and employee preferences. Several key factors that influence the selection and design of reward systems include; Organizational strategy and objectives, Employee preferences and needs, Market and Industry Norms, Employee

A. Expectancy Theory

This study is grounded in Victor Vroom Expectancy theory of Motivation which posits that individuals are motivated to exert effort when they believe that their efforts will lead to desirable outcomes, and those outcomes are valued (Vroom, 1964). The theory suggests that employees are more likely to perform at high levels when they perceive a clear link between their efforts, performance outcomes, and the rewards offered. Thus, the effectiveness of a reward system in enhancing employee performance is contingent upon employees' beliefs about the probability of achieving rewards based on their performance. Vroom based his theory on three concepts: expectancy (Effort-Performance Expectancy), valence (Performance-Reward Expectancy),

and instrumentality (Value of Rewards). According to Vroom, the expectancy theory motivation is determined by the strength of an individual's expectancy, instrumentality, and valence beliefs. The motivational force (MF) to perform a task or behaviour is calculated as the product of expectancy, instrumentality, and valence.

$$MF = (E \times I \times V) \dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$

Where E represents expectancy, I represents instrumentality, and V represents valence.

When any of these components are low, the overall motivational force diminishes. When employees believe that their performance will be rewarded fairly and equitably, they are more likely to exert effort and strive for excellence (Vroom, 1964). Expectancy theory recognizes that individuals have unique perceptions, beliefs, and preferences, leading to variations in their motivation and behaviour.

III. RESEARCH METHODOLOGY

The research aimed at investigating the factors influencing choice of reward system in deposit money banks in Akure, Ondo State. The study adopted a quantitative research technique. Purposive sampling was used where the researcher targeted participants who possess characteristics or experiences relevant to the study and whose judgement is important to the study. Cluster sampling technique which is a type of simple random sampling was then selected. This was used to simplify data collection processes and manage logistical constraints. The population of this study are the 290 employees of Wema Bank, First Bank, Sterling Bank, and United Bank for Africa (UBA) branches which are deposit money banks in Akure. Taro Yamane method was (Equation 2) used to calculate the sample size of 168 used in this study. A Likert scale-type well-structured questionnaire was administered to collect primary data from the employees. The questionnaire consists of a set of questions designed to gather the data. The collected data through a questionnaire was quantitatively analysed using Relative Importance Index (RII) a descriptive statistical tool (Equation 3). The RII was calculated by asking respondents to rate the importance of various factors on a Likert scale.

$$n = N/1+N(e)^2 \dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Where: n = sample size, N = population size, e = the acceptable sampling error (which is 0.05).

$$RII = \Sigma W/(A*N) \dots\dots\dots\dots\dots\dots\dots\dots\dots (3)$$

Where: W = Weighted Score for Each Category: The average rating given by respondents for each category which ranges from 1 to 5. 1= Not important at all, 2= Not very important, 3= Important ,4= Somewhat Important, 5= Very important

N = total number of respondents, A = highest weight.

The RII ranges from 0 to 1, with a higher value indicating greater relative importance of the variable $(0 \leq RII \leq 1)$.

Regression analysis, a statistical technique used to examine the relationship between one or more independent variables (predictors) and a dependent variable (outcome) was also used (Equation 4) to quantify the impact of independent variables on the dependent variable, providing valuable insights into causal relationships (Gujarati and Porter, 2009).:

logit (p)= β_0+$\beta_1 X_1$+$\beta_2 X_2$ + ε……………………….....(4)

Where: P = Probability of employee performance, β_o= Intercept, β_1-β_2 = Coefficients of independent variables, X_1= Financial rewards, X_2= non-financial rewards, ε= Error term

A. Study Area

The study area is restricted to Akure, Ondo state. Akure is a city in the southwestern part of Nigeria. It is the capital and largest city of Ondo State with a population of 403,000 as of the 2006 population census (Census, 2006). Its current population is 774,000. It has an area of 991km^3 and it lies on a relative plain of about 250 m above the ocean level. Akure lies about 70°15' north of the ambit and 50°15' east of the Meridian. The city is positioned in the tropical rainforest zone in Nigeria. Akure boasts a diverse banking infrastructure, with both local and international banks operating in the city. It is home to numerous deposit money bank branches, strategically located in various neighborhoods and commercial centres to ensure accessibility for customers. These branches provide a physical presence where customers can conduct banking transactions, access ATM services, and seek assistance from banking staff.

IV. RESULTS

A total of 168 questionnaires were distributed among the respondents, 126 were filled and returned representing a response rate of 75% of the total questionnaires distributed (Table 1). The findings of the demographic data collected from the respondents include gender, age, educational qualification, category of employee and years of experience in the selected deposit money banks in the study area.

Table 1: Response Rate of Questionnaire

Questionnaires	Frequency	Percentage
Filled and collected	126	75%
Non responded	42	25%
Total	168	100%

Source: Researcher's survey, 2024

A. Demographic Information of Respondents

The gender distribution of respondents (Table 2) in the context of this study shows males are 53 in number making up 42.1% of the total sample while females are 73 in number accounting for 57.9% of the total sample. The data shows a higher representation of female bankers (57.9%) compared to male bankers (42.1%) in the banking sector in the study area. This could indicate a trend towards gender diversity or a higher recruitment rate of female employees in deposit money banks which supports the study of Oluwagbemi et al., (2020) that female employees accounted for 55.6% of the workforce in Nigerian banks, similar to the 57.9% found in this study.

The age distribution of a sample of 126 respondents (Table 2) is categorized into four age groups: 18-25 years, 26-30 years, 31-40 years, and 41-50 years. The age distribution shows that from the 26-30 years age group there were 70 respondents, accounting for 55.1% of the total. The 31-40 year-old age group is the second largest with 43 respondents, representing 33.9%. The 18-25 years and 41-50 years age groups are the smallest, comprising 8 and 5 respondents which accounts for 6.3% and 3.9% of the respondents respectively. This age distribution result shows that the respondents are predominantly composed of individuals aged 26-30 years, followed by those aged 31-40 years. The findings on the educational background of the respondents in the study (Table 2) shows that the majority of the employees hold either a Higher National Diploma (HND) or a Bachelor's degree, with 58 (46.0%) having an HND and 60 (47.6%) holding a Bachelor's degree. Together, these two groups make up 93.6% of the total sample, indicating that the workforce is predominantly composed of individuals with a higher education level. This suggests a relatively well-educated sample which could potentially enhance the quality of responses regarding performance. A small percentage, 6 (4.8%), has a Master's degree, and an even smaller fraction, 2 (1.6%), have only an SSCE qualification. The category of employees filled by the respondents provides insight into the organizational hierarchy within the group studied. Most employees are in middle-staff positions, comprising 71 (56.3%) of the total sample. Senior staff account for 28 (22.2%), while lower staff represent 27 (21.4%) as shown in Table 4.5. This suggests that the Middle staff, representing the majority (56.3%), form a vital demographic, bridging operational and strategic functions, making their perceptions of rewards particularly influential. Senior staff (22.2%) and lower staff (21.4%) provide additional perspectives.

The result of years of experience among employees and provides insights into the distribution of experience levels within the studied group. Most employees have between 1-10 years of experience, with 47 (37.3%) having 1-5 years and 44 (34.9%) having 5-10 years, making up a combined 72.2% of the total sample. This suggests that most employees are relatively early to mid-career professionals.

This study is in line with the study of Oladele et al. (2020) that employees with 1-10 years of experience accounted for 75.6% of the sample. Only a small portion, 6 (4.8%), have over 10 years of experience, while 29 (23%) have less than a year of experience.

Table 2: Demographic Information of Respondents

Variable	Frequency (126)	Percentage (%)
Gender		
Male	53	42.1%
Female	73	57.9%
Age		
18-25	8	6.3%
26-30	70	55.1%
31-40	43	33.9%
41-50	5	3.9%
Educational Qualification		
SSCE	2	1.6%
HND	58	46.0%
Bachelors	60	47.6%
Masters	6	4.8%
Category Of Employee		
Senior Staff	28	22.2%
Middle Staff	71	56.3%
Lower Staff	27	21.4%
Year of Experience of the Respondent		
Less than a year	29	23.0
1-5 years	47	37.3
5-10 years	44	34.9
Above 10 years	6	4.8

Source: Researchers survey, 2024

4.2 Factors Influencing the Choice of Reward System in Deposit Money Banks in Akure

The descriptive analysis of each variable influencing the choice of reward system in deposit money banks in the study area using Relative Importance Index (RII) is shown in Table 3. The results revealed that Organizational Strategy with (RII = 0.886) is the most important factor influencing the choice of reward system in deposit money banks in the study area. This indicates that aligning the reward system with the overall organizational strategy is vital for enhancing employee performance aligning with Ogunyemi et al., (2020) study which revealed that organizational strategy was the most critical factor in determining the choice of reward systems in Nigerian banks, with an RII of 0.892. Organizational Culture and values (RII = 0.875) is

the second most important factor, indicating that reward systems must align with prevailing organizational values and norms to drive employee performance. Employee Performance and contributions (RII = 0.868) closely follows, underscoring the need for a reward system that directly contributes to improved employee performance aligning with Akinbode et al., (2019) report that employee performance was the second most important factor in determining the effectiveness of reward systems, with an RII of 0.863. The Market and Industry norm factor with (RII = 0.837) ranks fourth, emphasizing the necessity for reward systems to be competitive and aligned with industry standards to attract and retain talent. A study by Ojo et al., (2020) found that market and industry factors had an RII of 0.839, which is lower than the 0.837 found in this study. The budgetary constraints have an RII of (0.832) which means financial rewards must be balanced with the organization's financial capabilities. Employee Preferences and needs factors with (RII = 0.763) rank lowest but still hold importance, indicating that understanding and incorporating employee preferences and needs can enhance the effectiveness of reward systems, particularly in providing non-financial rewards.

Overall, the analysis highlights the importance of a strategic approach in designing reward systems that align with organizational strategy and culture, enhancing employee performance, and considering external market conditions, while also balancing budgetary constraints and employee preferences. These findings support the study's aim to explore the effect of reward system on employee performance, emphasizing the need for a well-rounded reward system to achieve organizational effectiveness in the competitive banking sector.

Table 3: Factors influencing choice of reward system

Variable	RII	Rank
Organizational Strategy	0.886	1st
Organizational Culture and values	0.875	2nd
Employee Performance	0.868	3rd
Market and Industry norms	0.837	4th
Budgetary constraints	0.832	5th
Employee Preferences and needs	0.763	6th

Source: Researchers survey, 2024

V. CONCLUSIONS

This study explored the factors influencing the choice of reward system in deposit money banks in Akure, Ondo State, Nigeria. With a 75% response rate, the findings revealed that 57.9% of the respondents were female, indicating a trend toward gender diversity in the banking sector. Most employees were aged between 26-30 years,

representing a youthful workforce, and the majority held either HNDs or Bachelor's degrees, highlighting a well-educated workforce. The analysis of factors influencing reward system choices showed that aligning rewards with organizational strategy was the most important factor, followed by organizational culture and values, and employee performance. These findings emphasize the need for deposit money banks to design reward systems that support their strategic goals and reinforce the literature on the importance of strategic alignment in reward management.

Based on the findings of the study on factors influencing choice of reward system in deposit money banks in Akure, Ondo State, Nigeria, it is recommended that: Deposit money banks in Akure should closely align their reward system with their overall organizational strategy to foster improved employee performance. Likewise, Managers and HR professionals should be trained on modern reward strategies and their implementation. This can improve the effectiveness of the reward system and ensure they remain relevant in deposit banks. Conclusively, Organizations should establish mechanisms to regularly monitor and evaluate the effectiveness of their reward system. Employee feedback, performance metrics, and retention rates should be analyzed to identify areas of improvement.

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