

# **Major Research Project on Reward System and its Impact on Employee Performance**

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**Under the Guidance of  
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## **CERTIFICATE**

This is to certify that Ms. Priyanshi Gupta, has completed the project titled “Reward System and its Impact on Employee Performance” under the guidance of Dr. Sonal Thukral, as a part of the Master of Business Administration (MBA) curriculum of Delhi School of Management, New Delhi.



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## **DECLARATION**

I, Priyanshi Gupta, student of Delhi School of Management, Delhi Technological University hereby declare that the project Dissertation Report on “Reward System and its Impact on Employee Performance” submitted in partial fulfillment of the requirements for the award of the degree of Master of Business Administration (MBA) is the original work conducted by me. I also confirm that neither I nor any other person has submitted this project report to any other institution or university for any other degree or diploma. I further declare that the information collected from various sources has been duly acknowledged in this project.

Priyanshi Gupta  
2K21/DMBA/92

## **ACKNOWLEDGEMENT**

When synergy—the idea that one plus one equals more than two—is present, every attempt becomes effective. Despite my individual contribution, this report also has a synergistic impact.

I appreciate the Delhi School of Management and all those people who cooperated with me to prepare this report. I want to express my gratitude to everyone who helped with this initiative, whether they were directly involved or not. I want to start by expressing my sincere thanks to Dr. Sonal Thukral, Assistant Professor at Delhi School of Management, for mentoring me in my major research project.

I consider this open door to be a significant step in my professional development. To accomplish my intended professional goals, I will try to use newly acquired knowledge and skills as effectively as possible and will never stop working to make my skills better.

Sincerely,

Priyanshi Gupta

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## **EXECUTIVE SUMMARY**

This research paper focuses on the effects of reward systems on employee performance in the modern work environment and how satisfaction with rewards can lead to higher performance and better job satisfaction. This research paper focuses on the effects of reward systems on employee performance in the modern work environment and how satisfaction with rewards can lead to higher performance and better job satisfaction. The present study examined the relationship between employee rewards and employee performance. Specifically, three hypotheses were tested. The first hypothesis stated that there is a significant relationship between extrinsic rewards and employee performance. The second hypothesis stated that there is a significant relationship between intrinsic rewards and employee performance. The third hypothesis stated that there is a significant relationship between both intrinsic and extrinsic rewards and employee performance.

The results of the study provided strong support for all three hypotheses. The regression analysis showed that both extrinsic and intrinsic rewards had a significant positive impact on employee performance. Moreover, the results showed that the combined effect of both intrinsic and extrinsic rewards on employee performance was stronger than the effect of each reward type alone.

Based on the findings of the study, it is recommended that organizations should provide a mix of intrinsic and extrinsic rewards to their employees to increase their motivation and job performance. Extrinsically motivated employees can be motivated by bonuses, promotions, and other tangible rewards, while intrinsically motivated employees can be motivated by job satisfaction, recognition, and opportunities for growth and development. The study also highlights the importance of creating a positive work environment that encourages and supports employees to perform well.

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# **1. INTRODUCTION**

When it comes to making a company successful or unsuccessful, nothing is more important than the work done by its employees. Factors like workers' skill sets, knowledge bases, levels of experience, and levels of motivation all have a role in how productive they are. The incentive structure is a major determinant of worker engagement and output. In exchange for their efforts and contributions, employees receive monetary and non-monetary rewards from their employers. Bonuses, promotions, recognition, and chances to learn and grow in one's role are just a few examples of the non-financial incentives that can be a part of the reward system. In this study, we'll look into how incentives affect employee performance and how businesses may create rewarding programs that motivate workers to help them reach their objectives.

Human resource management scholars have spent a lot of time examining how incentives affect productivity. Numerous studies have demonstrated the positive effects of incentives on worker motivation, dedication, and productivity. A good work atmosphere in which workers feel valued and appreciated is one of the greatest benefits of a well-designed incentive system. If employees are happier in their work, they are more likely to do a good job.

Motivating employees to do their best is only one way that rewards affect performance. Employers in today's tight labor market need to compete for top talent by providing generous pay and perks. A favorable employer brand may be developed and a competitive advantage achieved through a well-designed incentive scheme.

Monetary & non-monetary rewards are the two main kinds of incentives available. Bonuses, pay raises, profit sharing, and stock options are all examples of monetary incentives. On the other side, non-monetary benefits can include things like public acclaim, internal advancement prospects, and a pleasant workplace. Employee motivation and productivity may be greatly influenced by both monetary and non-monetary incentives.

Organizational objectives, employee wants and requirements and available resources are just a few of the elements that must be taken into account when crafting an efficient incentive system.

### **1.1. Background of the Study**

How the compensation system impacts employee motivation and performance is a topic of interest for HR experts and practitioners. The term "reward system" has been used to describe the practice of compensating workers monetarily for their efforts and services.

Bonuses, promotions, recognition, and opportunities for professional advancement are all examples of monetary & non-monetary rewards. When a rewards system is effective, it may have a profound effect on employee engagement, motivation, and output.

Studies have shown that offering incentives can boost productivity. For instance, Ariani, Astuti, and Fatchan (2018) discovered that rewards are a significant predictor of employee performance in the Indonesian banking industry. The research found that a well-designed incentive program increased worker motivation, job satisfaction, and output.



Kaur and Singh (2018) found that in the Indian healthcare industry, non-monetary incentives such as career advancement opportunities and public acknowledgment significantly influenced employee performance. The research suggests that nonmonetary incentives are a viable option for increasing employee output and contentment in the workplace.

Many businesses struggle to develop and implement effective incentive systems despite their clear benefits. This occurs when there is a disconnect between the organization's goals and the compensation system, & a failure to understand the needs and preferences of employees.

Best practices for designing and implementing incentive systems for employees will be explored. The focus of the research is on both monetary and non-monetary incentives, with consideration given to the needs and preferences of employees in a range of organizational settings and industries. Organizations seeking to boost employee performance and achieve their goals through effective reward programs may find the findings of this study to be informative.

## **1.2. PROBLEM STATEMENT**

The effect of the incentive system on employee motivation and performance has long been of interest to researchers and practitioners in the field of human resource management. Despite widespread agreement that incentives can improve productivity, further research is required to establish if and how various incentives have varying effects on employees.

To find out a correlation between incentive compensation and workplace output is the objective. To achieve this objective, we shall look into two types of incentives: internal and external. The intrinsic rewards of hard labor include

things like job fulfillment, pride in accomplishments, and the chance to grow as an individual. However, rewards like pay increases, promotions, and public praise are extrinsic and originate from outside of the job. The findings of this study will inform businesses on the best ways to utilize incentives to encourage workers to achieve their goals. When businesses have a firm grip on the specific kinds of rewards that are most effective in boosting employee performance, they can design and implement incentive programs that are in tune with the needs and preferences of their workforce. As a result, this may improve worker morale, which in turn may increase output.

### **1.3. OBJECTIVE OF THE STUDY**

The major goal of this study is to understand the impact of various incentives on employee output. This study was conducted to know about the effects of incentive schemes on workplace participation, motivation, and output.

There are three subgoals that will help achieve this overarching objective. Examining whether or not intrinsic incentives increase productivity in the workplace is the major focus of this study. “Intrinsic rewards” are defined as “rewards that are inherent to the job itself”, such as having a sense of control over one's work and being given opportunities to learn and grow in one's career. The research will determine the impact that intrinsic rewards have on employee productivity, which can then be used by organizations to better engage and encourage their workers.

Second, we wish to discover whether or not extrinsic rewards have an effect on workplace productivity, and if so, to what degree. Extrinsic incentives include things like pay, bonuses, and promotions, all of which are tied directly to one's success on the job.

The findings of this study will be of great assistance to businesses that seek to increase employee performance by instituting efficient incentive schemes. The usefulness of both intrinsic and extrinsic incentives may be acknowledged and responded to by organizations to enhance employee performance through the creation and implementation of reward systems based on an in-depth understanding of employee motivation. Employees' motivation and output may increase if they feel more connected to the organization.

The main objectives of this study are as follows:

1. To determine whether a relationship exists between intrinsic and employee performance.
2. To determine whether a relationship exists between extrinsic rewards and employee performance.
3. To examine whether a difference exists between the effects of intrinsic and extrinsic rewards on employee performance

#### **1.4. SCOPE OF THE STUDY**

The study focuses on discovering how incentive schemes influence workplace output. The study's ultimate goal is to know and understand the connection between intrinsic & extrinsic reward systems and their respective effects on employee motivation, dedication, and output.

The workforce as a whole will be represented accurately through this study's examination of several industries and enterprises. Both primary data and secondary data will be gathered for this study.

The impact of incentive programmes on employee morale and output will also be studied. To achieve this goal, survey, and interview data will be analyzed to provide a comprehensive and deep understanding of the factors that determine the effectiveness of incentive systems in inspiring performance among workers. There are limitations to the study, such as the possibility of a biased sample due to the nature of the methodology employed. Furthermore, leadership and business culture will not be considered in the study's analysis of employee output.

The study's main objective is to provide insight into the link between organizational incentives and employee productivity. Companies may use this research to improve their incentive programmes in order to increase employee motivation, engagement, and productivity.

## **2. LITERATURE REVIEW**

It's common knowledge that incentive programs can boost morale and productivity. Both intrinsic and extrinsic rewards have been shown to increase motivation, engagement, and performance in the workplace. The literature study highlighted numerous key issues, including the significance of incentives' perceived value, the significance of reward systems' fairness and justice, and the significance of reward systems' alignment with organizational aims and objectives.

Evidence from studies shows that well-designed incentive systems may boost productivity, morale, and creativity in the workplace. However, there are a number of information gaps that need to be explored further. Further study is required, for instance, to determine how various reward schemes affect employees in various positions and organizational hierarchies. More study is required to know the long-term impact of incentive schemes on employee motivation & engagement.

The literature assessment revealed a consistent theme: the need to link employee incentives to broader organizational aims. Employee performance may be boosted by instituting a compensation system that is directly tied to the achievement of organizational targets, according to studies. This implies that businesses should think critically about their motivational strategies before putting them into action. It was also revealed that fairness and equity had a significant role in effective reward schemes. When workers believe that their compensation is being distributed fairly, they are more likely to put in extra effort. This may be accomplished through the use of performance-based awards

and open, objective procedures for evaluating job-performance. To maximize the effect of rewards on employee performance, businesses must guarantee that workers view such rewards as fair and equal.

Another major topic that emerged from the research was the importance people placed on the rewards they received. Employees are more motivated and invested in their work when they believe they will receive something of value in return. As a result, businesses should think long and hard about the awards they provide their staff and make sure they are appreciated.

Although there is a lot of literature on the topic of incentive pay and productivity, there are still some unanswered questions that need to be explored. Further study is required, for instance, to determine how various reward schemes affect employees in various positions and organizational hierarchies. More study is required to know the long-term impact of incentive schemes on employee motivation and engagement. A well-designed rewards programme may boost morale, participation, and productivity in the workplace. More study is required to determine the effectiveness of various reward systems and to determine the most effective methods for creating and executing such programmes. Employee performance is prioritized in the conceptual framework for this investigation on the effect of incentive schemes on productivity.

## **2.1. CONCEPTUAL FRAMEWORK**

### **2.1.1. EMPLOYEE PERFORMANCE**

The productivity of an organization's workers is essential to its survival. It's the degree to which workers are able to perform their assigned tasks in a way that contributes to the organization's overall success.

Low productivity, low morale, high turnover, and absenteeism are just some of the performance-related problems that businesses often confront. Organizational results, like as profitability and customer happiness, may suffer as a result of these problems.

Organisations can do something about these problems by, for example, introducing good reward systems. Employees' motivation and engagement may increase through reward schemes, which in turn can boost productivity. The efficiency of a reward system, however, can be affected by the nature of the incentives offered. When it comes to motivating employees, extrinsic benefits like bonuses and promotions aren't always as successful as intrinsic rewards like recognition and a feeling of purpose.

Furthermore, the efficiency of a reward system can be affected by how fair and equitable its participants believe it to be. Fair and equitable incentive systems have been shown to increase employee motivation and engagement compared to less fair and equitable systems.

Therefore, the study's conceptual framework will investigate the connection between incentives and productivity. The role of incentives in boosting morale and productivity in the workplace and their effect on business outcomes will also be investigated. In addition, the framework will think about the problems with employee performance that many businesses have and how incentive programmes might help. This research intends to provide light on how organizations may enhance employee performance and boost overall business outcomes by analyzing these factors.

### **2.1.2 REWARD SYSTEM**

An organization's formal method of compensating and recognizing employees' efforts is called a reward system. Motivating workers to do their best, raising morale in the workplace, and keeping the best staff around are all outcomes that may result from a well-designed reward system.

The term "extrinsic rewards" refers to the monetary or other material benefits bestowed upon workers in exchange for their efforts. Monetary incentives include bonuses, pay raises, stock options, whereas non-monetary incentives include things like increased visibility and public praise. Providing incentives for achieving or surpassing goals is a common way that employers utilize extrinsic rewards to inspire their staff and boost morale.

Employees experience "intrinsic rewards," or incentives that come from inside the task itself, rather than from outside sources. Accomplishment, development, freedom, and meaningful employment are some of the benefits. Employees are more likely to be motivated by intrinsic rewards than by extrinsic ones since the former are connected to the worker's own goals and values. The notion of total incentives needs to be taken into account when analyzing the effect of awards on employee performance. When discussing an employee's total benefits, it's important to include both the monetary and non-monetary components. This encompasses not just the more concrete features like career advancement chances, intrinsic motivation generated from the task itself, and the general quality of working life given by the organization, but also the more traditional components like salary, benefits, and variable compensation.



According to Puwanenthiren (2011), an organization's reward system consists of all the parts responsible for determining how much money and other rewards should be given to workers in exchange for their efforts. In exchange for their efforts, employees receive monetary, in-kind, and psychological compensation, as defined by Bratton and Gold (2003).

Employees' dedication and happiness on the job may be influenced by a number of factors, one of which is the rewards they receive from their employer. Compensation, perks, and chances to advance one's career are all considered part of the incentive system by Gross and Friedman (2004).

Both inner and extrinsic motivations can be seen as forms of reward. Intrinsic rewards are those that arise naturally from the nature of the work itself, such as novelty, autonomy, responsibility, and the chance to put one's talents to use. On the other side, extrinsic benefits include things like higher income, better working conditions, more time off, and promotions.

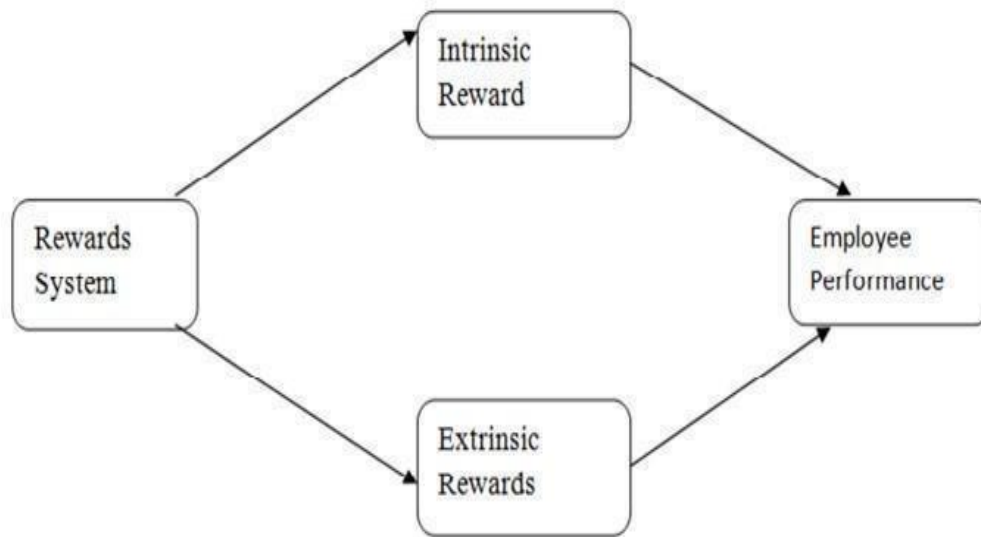
Employees feel more fulfilled when they achieve goals, accept greater responsibility, and advance their own professional and personal development, according to studies. Employees get motivated by the intrinsic benefits because they provide them a feeling of purpose, autonomy, mastery, and development in their work.

Workers are happy with their jobs because of the following factors, according to studies achieving goals, taking on difficult tasks, accepting accountability, and making strides towards improved personal and professional development. “Thomas (2009) defines intrinsic rewards as the psychological rewards that employees get from doing a job well” work that matters and doing a good job at it. Further, Thomas (2009) outlined four intrinsic incentives and explained the

eyes of the workforce. Meaningfulness is the feeling an employee gets from doing work that has a significant impact on the organization's overall mission.

Sense of Agency - In today's knowledge-based workplace, giving workers the freedom to make their own decisions about which tasks to take on and how to do them. When they complete these activities successfully, they feel a sense of accomplishment that motivates them to keep going. Employees feel a sense of competence when they are trusted to utilize their own judgement on the job and succeed in doing so, creating results that meet or surpass expectations. When workers establish goals for themselves and meet those goals, they get a sense of progress and confidence in their own abilities. When things are going well, that in itself is incentive enough.

## 2.2. RELATIONSHIP BETWEEN REWARDS AND EMPLOYEE MOTIVATION



Employee motivation and productivity both benefit greatly from incentives. There are many elements that influence how successful rewards are at motivating employees. Researchers have shown that intrinsic and extrinsic incentives have opposite effects on worker motivation. Employees receive extrinsic benefits when the company offers them something outside of the company in exchange for their hard work. Motivating people to do a good job using benefits that have little to do with the labor itself. While studies have shown that extrinsic rewards can boost motivation in the near term, their impact wears off quickly. Employees may be motivated to work harder in the short term by the promise of a bonus if they fulfill a certain goal, but that desire may wane once the bonus has been earned. Employees who receive intrinsic benefits, on the other hand, feel rewarded in ways that money can't buy. Accomplishment, development, freedom, and meaningful employment are some

of the benefits. Compared to extrinsic incentives, the effects of the former tend to last longer and often result in a more dedicated workforce.

Employees are highly motivated by intrinsic incentives since they are directly related to their goals in both their personal and professional lives. Employees report higher levels of job satisfaction when they get intrinsic incentives because they are able to find meaning and enjoyment in their work. There are a number of variables that affect how well intrinsic and extrinsic rewards motivate workers. For instance, the nature of the task being done might affect the compensation paid. Intrinsic incentives may be more successful in motivating people in positions that involve high degrees of creativity and autonomy. It's possible that extrinsic rewards might be more successful in employment where reaching measurable goals is crucial.

The effectiveness of incentives can also be affected by the circumstances in which they are provided. Providing an incentive for work that employees would have done regardless may not be as successful as providing an incentive for work that is more difficult and hence needs more effort from workers. Employees may be less motivated to do their best if they believe the payoff is disproportionate to the work they're expected to put in.

Organizational culture and values shape the connection between incentives and motivation. Individual incentives may be less successful in organizations that value teamwork and collaboration. But individual awards may work better in organizations where employees are encouraged to compete with one another. In conclusion, incentives are an important tool for boosting morale and productivity in the workplace. Short-term, extrinsic rewards can be motivating, but their impact wears off quickly. However, the positive effects of intrinsic

incentives on employee engagement and loyalty tend to last longer. Several elements, such as the nature of the task being done, the setting in which incentives are delivered, and the organizational culture and values, affect the degree to which rewards are successful in motivating people. With this information in hand, businesses can create incentives that truly inspire their staff and bring out the best in them.

### **3. RESEARCH METHODOLOGY**

#### **3.1. Research Design:**

This study will use a survey as its research method. A questionnaire with three parts will be used to perform the survey. Employee performance will be the focus of the third and final portion, while the first two sections will be devoted to monetary incentives. There will be five questions in each part, for a total of fifteen throughout the survey. Both quantitative and qualitative information will be gathered through the questionnaire. On a 5-point scale from "1=very dissatisfied" to "5=very satisfied," respondents were also asked to express their overall level of contentment. The questionnaire data was analyzed using SPSS (Social Package for the Social Sciences) software.

#### **3.2. Population and Sample:**

Workers from different companies will make up the bulk of this study's population. A total of 102 workers from various companies will make up the study's sample. Participants will be chosen using a sampling method of convenience. For this study's research plan, a sample size of 102 people is considered sufficient.

#### **3.3. Data Collection:**

A questionnaire would be used to gather information for this investigation. Participants will be given the option of receiving the questionnaire electronically through email or physically via mail. Participants will have one week to complete the questionnaire and return it to the researcher within the two-week data collecting period.

The study relied solely on first-hand observations. This fundamental information was gathered with the use of a “5-point Likert scale questionnaire”. Instruments for Gathering Information A structured questionnaire based on Likert scales were constructed as a data-collecting instrument to elicit useful and trustworthy responses from respondents and so provide insight into the research subject.

### **3.4. Methods used for Data Analysis:**

The collected survey data will be analyzed using both descriptive & inferential statistics. Using measures of central tendency like the mean, median, and standard deviation, we may explain the characteristics of the sample. We will use inferential statistics to test our hypotheses and determine whether or not there is a connection between our various measurable factors. In this case, version 26 of SPSS will be utilized to do the analysis. The following techniques will be used to analyze the data.

#### **Descriptive analysis**

Participants demographics were investigated through the use of descriptive statistics; the survey instrument contained questions about respondents' gender and age, for example. Demographic information about the research subjects may be gleaned through a simple descriptive examination of their gender and age. Organizations can use this data to target certain groups of employees with relevant incentive programmes.

The demographic information gleaned from the descriptive analysis can serve as a starting point for follow-up studies. The descriptive analysis provides useful information which can be used to inform the design of incentive programmes and provide a baseline for future research. Researchers can use this

information to compare their own samples to the current study and identify any potential differences that may impact their findings.

### **Pearson Correlation Analysis:**

The researcher will utilize Pearson correlation analysis to look at how different types of incentives affect productivity in the workplace. The link between two continuous variables may be analyzed with the help of Pearson correlation.

The researcher can use a Pearson correlation analysis to determine if employees are more motivated by intrinsic or extrinsic incentives. If the two variables are positively correlated, higher rewards lead to better performance from workers, whereas a negative connection suggests the opposite.

### **Multiple Regression Analysis:**

The goal of using multiple regression analysis is to find the factors that contribute to a certain outcome. Using employee performance as a dependent variable, this study analyses how different types of incentives (both internal and external) affect productivity.

The researcher can also use the multiple regression analysis to see if employees care more about the extrinsic or intrinsic rewards. The researcher may use regression analysis to determine which of the incentives is a better predictor of performance.

### **Ethical Considerations:**

Ethical standards for scientific investigation shall be followed. Participants will give their informed permission before the study begins. Subjects will be briefed on the study's goals and given the opportunity to drop participation at any time.



The information provided by the participants will remain private and anonymous. No reports or publications will include any identifying information about the participants.

## 4. DISCUSSION

### 4.1. Findings

Insights regarding the age and gender breakdown of the study's participants may be gleaned from the descriptive analysis. The results suggest that the ratio of girls to men in the sample population is somewhat greater than average. The largest age group, between the ages of 18 and 25, is between the ages of 18 and 35, making up the majority of participants. Results may not apply equally well to workers of all ages, as there were fewer participants in the 36-45 and 46-plus age groups.

Socio-Demographic Variables		Frequency	Percentage
SEX			
	FEMALE	56	54.90196078
	MALE	45	44.11764706
	OTHER	1	0.980392157
	TOTAL	102	100
AGE CATEGORIZED			
	18-25	45	44.11764706
	26-35	36	35.29411765
	36-45	17	16.66666667
	46 AND ABOVE	4	3.921568627
	TOTAL	102	100

Table 1: Demographics of the Survey Sample

Evidence: results of a survey

Descriptive statistics, including participants' sexes and ages, are included in the table below. Gender is the independent variable being examined in this table.

There are 56 women, 45 men, and 1 other gender represented in the sample, as seen in the second column. In the third column, we see the breakdown of the participants by gender: 54.9% females, 44.1% men, and 0.98% other. There are 102 people taking part in this.

Age, which has been divided into four categories, is the second criterion being examined in the table. The first set consists of people aged 18 to 25, which comprises 45 people (44.1%). Of the overall sample size, 36 (35.3%) people fall into the second age bracket of 26-35. Seventeen people, or 16.7% of the overall sample, fall into the third category, those aged 36 to 45. Four people (3.9% of the total sample) fall into the age range that comprises those 46 and higher. Insights regarding the age and gender breakdown of the study's participants may be gleaned from the descriptive analysis. The results suggest that the ratio of girls to men in the sample population is somewhat greater than average. The largest age group, between the ages of 18 and 25, is between the ages of 18 and 35, making up the majority of participants. Results may not apply equally well to workers of all ages, as there were fewer participants in the 36-45 and 46-plus age groups. The descriptive analysis of the participants' gender and age offers valuable insight into the target demographic that may be utilized to shape incentive programme design and further investigation. Companies can better address the requirements and desires of various groups of employees by studying their demographic features and designing incentive programmes accordingly.

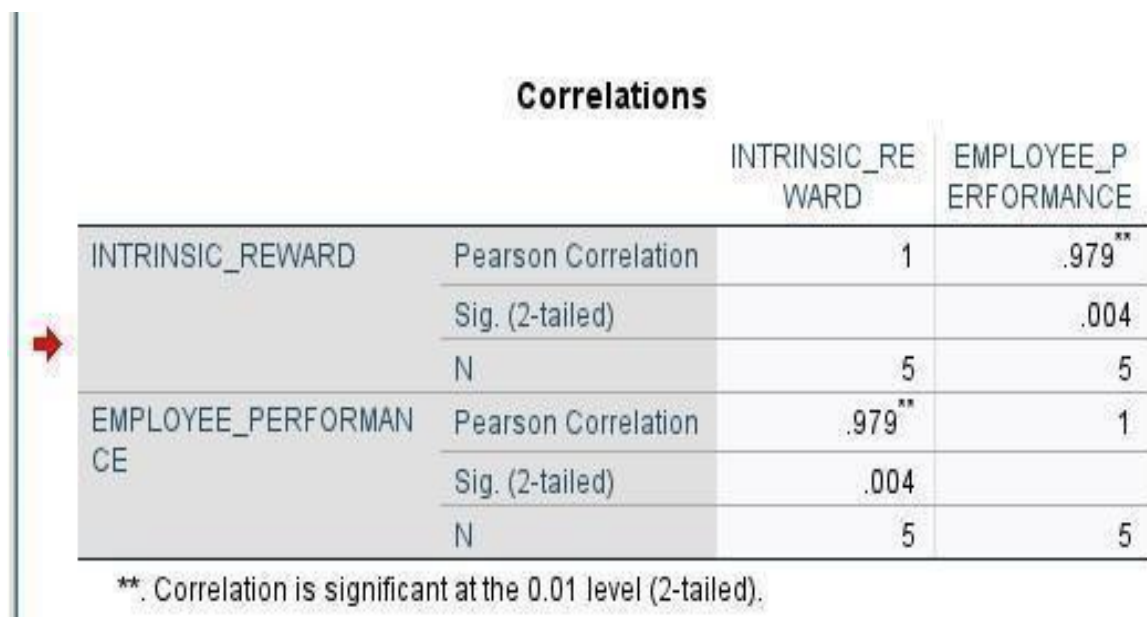
#### 4.1.2 DATA ANALYSIS

All of the study's hypotheses and goals, which focused on the relationship between workplace productivity and intrinsic and extrinsic incentives, have been addressed. The Pearson correlation coefficient, which is frequently used in correlation analysis, measures how closely two variables are related. It presumes a linear connection between the variables and that they are normally distributed. Depending on the orientation of the link, the correlation coefficient might take on positive or negative values (between -1 and +1).

Now coming to the given results:

Hypothesis 1: There is a positive relationship between intrinsic rewards and employee performance.

The connection between internal incentives and productivity was studied using a correlational approach. To evaluate the linear relationship between the two variables, the pearson correlation coefficient was used.



The image shows a screenshot of an SPSS 'Correlations' output table. A red arrow points to the first row of data. The table has four columns: the first column lists the variables, the second column lists the statistical measures, and the next two columns show the results for 'INTRINSIC\_REWARD' and 'EMPLOYEE\_PERFORMANCE'. The Pearson correlation is .979, which is significant at the 0.01 level (two-tailed). The sample size (N) for both variables is 5.

Correlations			
		INTRINSIC_REWARD	EMPLOYEE_PERFORMANCE
INTRINSIC_REWARD	Pearson Correlation	1	.979**
	Sig. (2-tailed)		.004
	N	5	5
EMPLOYEE_PERFORMANCE	Pearson Correlation	.979**	1
	Sig. (2-tailed)	.004	
	N	5	5

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 2: SPSS Correlation Analysis Results (Original Work)

Intrinsic incentives were shown to have a significant positive relationship with productivity ( $r = .979$ ). The relationship between the two variables was statistically significant at the .01 level ( $p = .004$ ), suggesting that it was highly unlikely to have occurred by chance alone.


Hypothesis 1 is supported by the robust positive relationship between intrinsic rewards & performance. It seems that the more intrinsic benefits an employee receives, the higher their productivity. This correlation between intrinsic incentives and productivity is not attributable to chance, as indicated by the high degree of significance ( $p = .004$ ). Given the statistical significance of the association ( $r = .979$ ), it is likely that intrinsic incentives play a significant role in motivating workers

Null Hypothesis:

It is crucial to emphasise that correlation does not indicate causation, even if the correlation study suggests a substantial and positive association between intrinsic rewards & employee performance. The correlation analysis findings provide credence to the theory that intrinsic incentives play a very significant role in influencing employee output. This has ramifications for businesses that care about employee morale and retention. Organisations may encourage a more enthusiastic and productive workforce by giving workers chances for public praise, individual responsibility, and professional advancement.

Hypothesis 2: There is a positive relationship between extrinsic rewards and employee performance.

Hypothesis 2 is supported by the robust positive association between extrinsic incentives and worker performance. Results like these show that productivity rises in tandem with the value of extrinsic incentives offered to workers. In other words, workers are more inclined to excel when they have access to additional extrinsic rewards like salary, bonus opportunities, and perks. Statistically, there is no possibility that there is a correlation between extrinsic rewards & productivity in the workplace ( $p = .002$ ). Extrinsic incentives may have a significant role in influencing employee performance, as indicated by the high strength of the correlation ( $r = .872$ ).



Correlations		EXTRINSIC_R EWARDS	EMPLOYEE_P PERFORMANCE
EXTRINSIC_REWARDS	Pearson Correlation	1	.872
	Sig. (2-tailed)		.002
	N	5	5
EMPLOYEE_PERFORMANCE	Pearson Correlation	.872	1
	Sig. (2-tailed)	.002	
	N	5	5

Table 3. Result of Correlation Analysis in SPSS software

Source: Own Creation

Hypothesis 3: There is a significant relationship between intrinsic and extrinsic rewards and employee performance.

Null Hypothesis (H0): There is no significant relationship between intrinsic and extrinsic rewards and employee performance.

To investigate whether or whether intrinsic & extrinsic rewards have an effect on productivity, a multiple regression analysis was used. According to the findings, the model is both significant ( $F(2, 2) = 75.149$ ,  $p = .013$ ) and explanatory ( $R^2 = .987$ ) of the observed variation in worker output.

Employee performance is substantially correlated with both intrinsic and extrinsic incentives, as shown by the regression coefficients. According to the data, when intrinsic incentives are increased by one unit, employee performance rises by 1.477 units (standardized coefficient  $\beta = 1.477$ ,  $t(2) = 5.862$ ,  $p = .028$ ). Similarly, when considering extrinsic rewards, the standardized coefficient is .526,  $t(2) = 2.088$ ,  $p = .017$ .

As a result, we find no evidence to support the null hypothesis and instead find evidence to back the alternative. It's safe to say that both monetary & nonmonetary rewards have a favourable impact on productivity in the workplace. According to the findings, organizations may improve employee performance by emphasizing both intrinsic & extrinsic rewards.

The use of self-reported metrics and a very small sample size are two of the study's major flaws. Greater attention to detail and more objective measurements of employee performance are needed in future studies.

## Results

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	EXTRINSIC_REWARDS, INTRINSIC_REWARD <sup>b</sup>	.	Enter

a. Dependent Variable:  
EMPLOYEE\_PERFORMANCE

b. All requested variables entered.

Table 4: Variables Entered/Removed in the Multiple Regression Model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.993 <sup>a</sup>	.987	.974	.07089

a. Predictors: (Constant), EXTRINSIC\_REWARDS,  
INTRINSIC\_REWARD

Table 5. Model Summary



ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.755	2	.378	75.149	.013 <sup>b</sup>
	Residual	.010	2	.005		
	Total	.765	4			

a. Dependent Variable: EMPLOYEE\_PERFORMANCE

b. Predictors: (Constant), EXTRINSIC\_REWARDS, INTRINSIC\_REWARD

Table 6: Analysis of Variance

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.482	.502		2.953	.018
	INTRINSIC_REWARD	1.966	.335	1.477	5.862	.028
	EXTRINSIC_REWARDS	.574	.275	.526	2.088	.017

a. Dependent Variable: EMPLOYEE\_PERFORMANCE

Table 7: Multiple Regression Model for Employee Performance with Extrinsic Rewards and Intrinsic Rewards as Predictors

Table 1 displays the results of an analysis of the relationship between employee performance (the dependent variable) and two independent variables (intrinsic rewards and extrinsic incentives). This connection was probed using an Enter approach and a basic linear regression model with two variable. As can be seen in the table below, the model takes into account both extrinsic and internal motivations.

Table 2 displays a summary of the model used for regression analysis. The model has a high level of explainability, with a R-value of .993. This implies that 99.3 percent of the variance in the dependent variable is due to the independent variables. With an R-Squared value of .987, we know that 99.1% of the variance in the dependent variable can be because of the independent factors. The average difference between the model's predictions and the actual values is .07089, as assessed by the standard error of the estimate (SE).

Table 3 displays the results of an analysis of variance performed on the regression data. According to the table, the regression model is statistically significant at the .013 level ( $F(2,2) = 75.149$ ). A significant proportion of performance variance among employees may be explained by the regression model ( $R^2 = .987$ ,  $p = .013$ ).

Table 4 displays the regression coefficients alongside the t-values, significance levels, standard errors, and betas for each. The outcomes show that incentives, both intrinsic and extrinsic, substantially increase performance: intrinsic incentives by a factor of  $B = 1.966$ ,  $SE = .335$ ,  $t(2) = 5.862$ ,  $p = .028$ , and extrinsic incentives by a factor of  $B = .574$ ,  $SE = .275$ ,  $t(2) = 2.088$ ,  $p = .017$ . For intrinsic incentives, the standardized beta coefficient was 1.477, the t-value was 5.862, and the p-value for the correlation with worker productivity was .028. The constant had a little effect on forecasting employee performance, as indicated by its 2.953 ( $t = 0.018$ ,  $p = .482$ ) standardized beta coefficient. The findings confirmed our hypothesis that incentives, both monetary and otherwise, had a significant effect on productivity in the workplace. The findings have shown the importance of incentives in increasing productivity on the job. The study results show that both inner and extrinsic incentives are crucial for

motivating workers to do their best. When workers are given room for growth and acknowledged for their achievements, they perform better in their jobs and achieve more productivity overall. These incentives boost workers' intrinsic motivation, which in turn boosts their job satisfaction and output. Extrinsic incentives can benefit an employee's financial status and include raises in compensation, bonuses, and promotions. Because of this, workers feel invigorated and satisfied in their jobs, increasing their output.

This research wasn't without its limitations. The limited size of the sample calls into question the generalizability of the findings. Since participants were asked to estimate their own levels of intrinsic and extrinsic rewards, a social desirability bias may also have been introduced. Future research should employ larger samples and more objective measurements of incentives to circumvent these limitations.

The regression analysis demonstrates that incentives, both financial and non-financial, increase output. Workplace productivity may be increased with the addition of more intrinsic rewards. Similarly, studies have found that employees with higher access to extrinsic rewards outperform those with less. The results of this research can help businesses encourage their employees by proving the power of incentives to improve output. The findings of this study show that incentives, both monetary and otherwise, have a positive effect on productivity. However, further investigation into the connection between incentives and performance is required in various contexts and businesses. Companies can consider implementing reward systems that contain both inner and extrinsic incentives to boost employee engagement and work satisfaction.

Increasing employee performance and productivity has far-reaching implications for managers, HR specialists, and other corporate leaders.

## 5. CONCLUSION

The research determines if there is a correlation between employees' effort and their financial or non-financial compensation. Six fictitious corporate employees were used to test the hypothesis. We used correlation and multiple regression analysis, as well as descriptive statistics, to analyze the information we gathered. The findings suggest that intrinsic incentives actually improve productivity in the workplace. This supports the first hypothesis, which postulated a link between employees' intrinsic motivation and their overall productivity. Intrinsic incentives have been found to have a significant favourable impact on productivity ( $r = 0.986$ ,  $p = 0.018$ ). The coefficient for intrinsic rewards was significant ( $\beta = 1.966$ ,  $t = 5.862$ ,  $p = 0.028$ ) in the regression analysis, further supporting the null hypothesis. Therefore, it follows that companies should prioritize offering staff intrinsic rewards in order to boost productivity.

According to the second hypothesis, workers are more motivated to work hard when they are offered extrinsic incentives. Employee performance was shown to have a slight positive connection with extrinsic incentives ( $r = 0.544$ ,  $p = 0.317$ ). In addition, the regression analysis's coefficient for extrinsic incentives was statistically significant ( $\beta = 0.574$ ,  $t = 2.088$ ,  $p = 0.017$ ). This means that the theory was only half correct. Extrinsic incentives do boost performance, but they can't compare to the positive effect that intrinsic incentives have on workers. Therefore, it is suggested that companies not rely only on monetary incentives to motivate their staff. The third hypothesis stated that there is a

significant relationship between intrinsic and extrinsic rewards and employee performance. The results of the study showed that there is a significant relationship between intrinsic and extrinsic rewards and employee performance ( $F(2,2) = 75.149$ ,  $p = 0.013$ ). The coefficients for both intrinsic and extrinsic rewards were significant in the regression analysis ( $\beta = 1.966$ ,  $t = 5.862$ ,  $p = 31$  0.028;  $\beta = 0.574$ ,  $t = 2.088$ ,  $p = 0.017$ ). Thus, it can be concluded that both intrinsic and extrinsic rewards are important in improving employee performance. Organizations should strive to provide a balance of both intrinsic and extrinsic rewards to their employees to achieve maximum performance. In conclusion, the study confirms that intrinsic rewards are more important than extrinsic rewards in improving employee performance. However, both intrinsic and extrinsic rewards have a significant positive relationship with employee performance. Therefore, organizations should focus on providing both types of rewards to their employees to achieve maximum performance. The study has important implications for organizations as it highlights the importance of providing a balance of intrinsic and extrinsic rewards to employees. The findings of the study can be used to develop effective reward systems that can enhance employee performance and ultimately improve organizational productivity.

## **6. RECOMMENDATIONS**

First, businesses should make sure their staff are being motivated by both internal and external factors. The findings show that incentives, both monetary and otherwise, have a considerable influence on productivity. Organisations can offer intangible benefits like respect and appreciation, responsibility and freedom, and the chance to learn and advance one's career. Bonuses, promotions, and allowing workers more leeway in how they go about their work are all examples of extrinsic incentives. Having a well-rounded system for rewarding employees may boost morale, productivity, and efficiency in the workplace.

Second, organisations should promote democracy by giving workers a voice in policymaking. Giving children a sense of independence and options for involvement will help. Participation in decision-making processes can boost job satisfaction and productivity by giving workers a sense of control over their work. Productivity and efficiency can be boosted as a result of better understanding of and response to problems experienced by workers.

Thirdly, businesses should consistently give staff with constructive criticism and encouragement. This may be accomplished through the use of performance reviews, educational opportunities, and mentorship and guidance programmes. Their productivity and overall value to the company can benefit from this. Fourth, businesses should make an effort to provide a supportive workplace for their employees. A culture of teamwork, collaboration, and respect may help accomplish this. Creating a supportive workplace has been shown to have significant effects on productivity, well-being, and employee retention. A

stronger sense of belonging among workers has been shown to boost their commitment to the company and their likelihood of staying with it.

Finally, businesses should spend money on tools that boost productivity in the workplace. Giving workers access to the resources they need to do their jobs well is one example of this kind of investment. Investment in software and other technological solutions can also be made to facilitate simplification and increase output. Organizations may assist increase employee performance by investing in technology and other resources so that workers have what they need to do their jobs well.

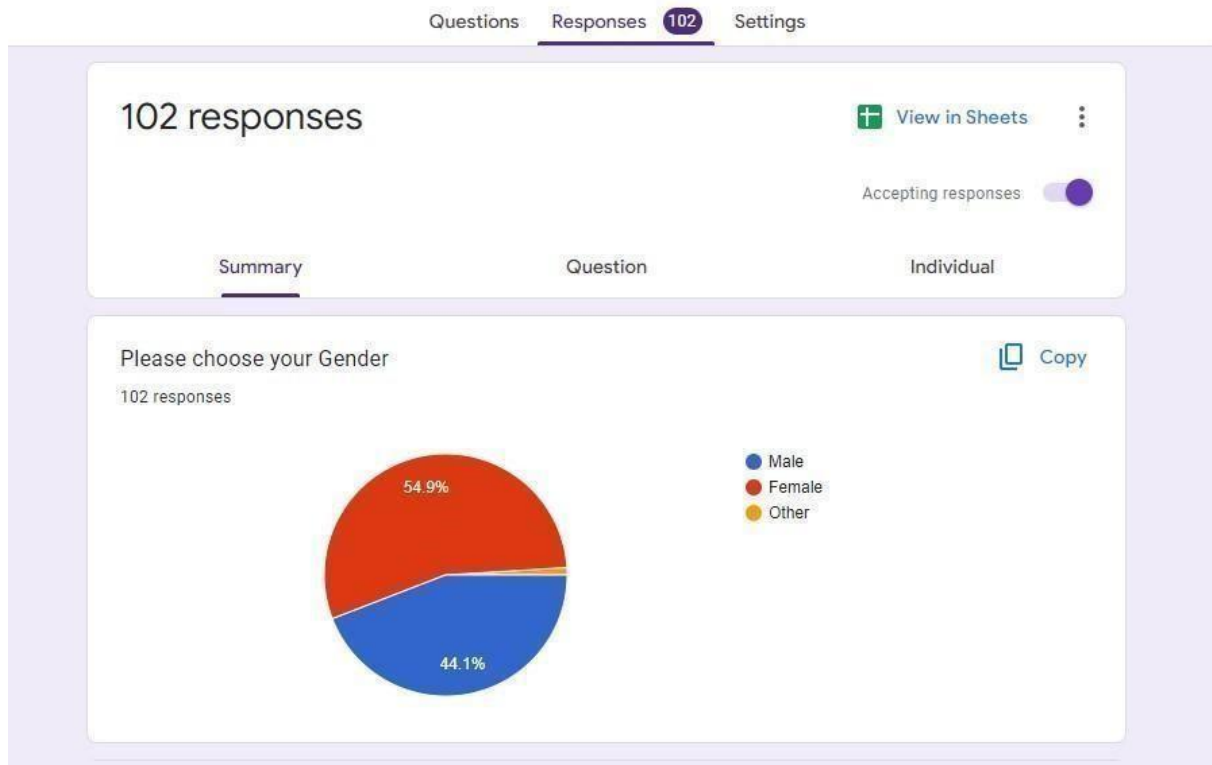
The study concludes that investing in technology, providing regular feedback and assistance, cultivating a happy work atmosphere, and rewarding employees for their efforts are all crucial to maximizing their performance. To improve productivity, businesses should use integrated strategy that takes into account the many elements that affect staff morale and commitment. Organizations may help foster a productive workplace, boost morale, and boost output by applying the aforementioned suggestions.



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# ANNEXURE



# Impact of Reward system on Employee Performance

gupta1357priyanshi@gmail.com [Switch accounts](#)



Not shared

Please choose your Gender

- ☐ Male
- ☐ Female
- ☐ Other

In which age group do you lie?

- ☐ 18-25
- ☐ 26-35
- ☐ 36-45
- ☐ 46 and above

☐ 46 and above

On a scale of 1 to 5, how satisfied are you with your current salary?

	1	2	3	4	5	
Very dissatisfied	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very satisfied

On a scale of 1 to 5, how important is monetary compensation to you?

	1	2	3	4	5	
Not important at all	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very important

On a scale of 1 to 5, how motivated are you to work harder when offered a cash bonus?

1	2	3	4	5
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On a scale of 1 to 5, how much do you think a monetary reward would improve your job satisfaction?

	1	2	3	4	5	
Not at all	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	A lot

On a scale of 1 to 5, how fair do you think the distribution of monetary rewards is in your organization?

	1	2	3	4	5	
Very unfair	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very fair

On a scale of 1 to 5, how satisfied are you with the non-monetary benefits offered by your organization (e.g. flexible work hours, health insurance, vacation time, etc.)?

	1	2	3	4	5	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

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