

# **The Impact of Rewards on Employee Performance in Commercial Banks of China: The Mediating Role of Motivation**

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## **Abstracts**

The research aims to study the mediating effects of intrinsic and extrinsic motivation on the relationship between reward and employee performance in the commercial bank of China. The researcher used the qualitative method to analyze the data. The data were collected from 407 employee of commercial bank via sampling stratified random sampling. The data were analyzed by SPSS (Statistical Package for Social Science) software, AMOS (Analysis of Moment Structure) software. The findings shows that there is a positive and significant relationship among rewards, intrinsic motivation, extrinsic motivation and employee performance. Correspondingly, there is mediation role of intrinsic motivation in the relationship between rewards and employee performance. Similarly, there is mediation role of extrinsic motivation in the relationship between rewards and employee performance.

**Keywords:** Rewards; Intrinsic Motivation; Extrinsic Motivation; Employee Performance

## **Introduction**

Employee motivation can be boosted by rewarding them for their efforts in coming up with innovative ideas that improve business operations and subsequently boost corporate performance (Kankisingi & Dhliwayo, 2022). These can include having the chance to work on significant jobs or projects, recognition from bosses, and even a focus on leadership. Work accomplishment, efficiency, happiness, preservation, and behaviors related to organizational citizenship are all strongly connected with the leader's ability to reward staff, according to a number of studies on the authority of the leader. Employees will provide their best effort to management if they believe they will be appreciated and rewarded (Jha et al., 2019: 9-11). Employee performance is influenced by a variety of variables, including the workplace, relations between employers and employees, opportunities for training and growth, job security, and general business policies and procedures for employee recognition. An incentive provided with rewards is the most important factor affecting employee performance (Yimam, 2022). Numerous elements affect and guide our behavior in order to accomplish a particular objective, and motivation is the result of these factors.

Motivation is the vigor or drive that propels a person in the right direction of a goal. Employee initiative, engagement, and going further than what is required of duty are all traits of motivated workers, according to Bennett (2019: 31-61.). Receiving awards, which may further reinforce this incentive, can drive employees to maintain their excellent performance. Rewarding workers can boost their motivation, which enhances work production, claim researchers (Ihedinmah & Chijioke, 2015: 80-88). For instance, when given regular feedback and praise for their achievements, employees are more motivated to work at a higher level.

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The identical situation is true for workers, who have a greater probability to be inspired and put forth better work when provided opportunities for advancement. The Commercial Bank of China must establish reward structures that encourage employee motivation. For instance, the bank might offer chances for professional advancement and training, give bonuses for achieving particular performance targets, and honor and acknowledge exceptional employee performance.

Numerous research (Khan et al., 2017: 937-945.; Jeni et al., 2020: 28-43; Ihedinmah & Chijioke, 2015: 80-88) have demonstrated the connection between rewards, motivation, and employee performance. Although it is understood that rewards are a key factor in raising employee performance, little is known about how rewards impact performance within the context of Commercial Bank of China. Understanding the effects of rewards on employee performance in this specific organizational structure, such as monetary incentives, praise, and opportunities for career advancement, is vital. It is also possible that motivation mediates the relationship between rewards and productivity since motivation is thought to be a critical factor in determining employee performance. Therefore, by investigating the mediating role of motivation, this study attempts to provide light on the underlying mechanisms by which rewards affect employee performance at Commercial Bank of China. By investigating the impact of rewards on employee performance and the mediating role of motivation, this study will contribute to the body of knowledge on organizational behavior and the management of human resources. The outcomes will provide Commercial Bank of China with informative data and recommendations on how to enhance reward programs, motivate staff, and ultimately improve organizational performance.

## **Research Objectives**

1. To study the relationship among rewards, intrinsic motivation, extrinsic motivation and employee performance.
2. To analyze the mediation role of intrinsic motivation on the relationship between rewards and employee performance.
3. To examine the mediation role of extrinsic motivation on the relationship between rewards and employee performance.

## **Literature Review**

According to Manjenje and Muhanga (2023), rewards can take many different forms, including monetary ones like bonuses, wage increases, profit-sharing plans, as well as non-financial ones like recognition, opportunities for growth, or flexible work schedules. These incentives and other extrinsic motivators motivate employees to work more and produce higher-quality work (Hua et al., 2020: 755-785.). Additionally, they can be used as badges of competence, offering feedback on employees' performance and motivating them to continue doing a good job. Complex psychological mechanisms underpin the relationship between compensation and employee performance (Shin et al., 2019: 1812.). The expectancy hypothesis is a well-known idea that holds that people are driven to perform when they believe their efforts will result in rewarding outcomes or incentives. According to this viewpoint, rewards are a technique to strengthen desired behaviors and increase the likelihood that they will happen again. When workers see a direct link between their actions and the

rewards they receive, they are more likely to feel engaged and motivated at work (Shkoler & Kimura, 2020: 38.).

Rewards might also satiate important psychological needs. Abraham Maslow proposed the idea of the hierarchy of needs, which states that people have a hierarchy of demands, including those for physiology, security, belongingness, esteem, and self-actualization (Altymurat et al., 2021: 12-16.). Rewards that provide opportunities for career development and growth, internal recognition and positioning, financial security, and a sense of community can satisfy these needs. By meeting these desires, rewards make employees feel content and generally well-off, which can enhance their performance (Abrudan & Conea-Simiuc, 2019: 286-296.). However, businesses encounter challenges while designing a successful compensation scheme. Awards may make workers emphasize short-term benefits above long-term goals, which could result in a short-term concentration as one potential issue. This could lead to a constrained and myopic perspective of the workplace, ignoring important aspects like innovation or customer satisfaction. Therefore, companies must align their pay plans with broader performance measures and encourage a balanced approach that takes both immediate and long-term success into account.

Both intrinsic motivation and rewards have the potential to enhance employee performance (Reddy, 2020: 17-22.). Intrinsically motivated individuals are more likely to take initiative, put forth effort, and show higher levels of creativity and ingenuity. Rewards, on the other hand, can reinforce and increase intrinsic drive since they bring recognition, tangible benefits, and a sense of accomplishment. Rewards can improve intrinsic motivation when used effectively and work in tandem with it to improve performance (Duan et al., 2020: 1561-1574.). According to the over justification effect, which is a phenomenon, incorporating extrinsic reward into behaviors that people are already compelled to engage in may actually counteract intrinsic motivation. If the rewards are perceived as limiting or diminishing the sense of competence, freedom, or enjoyment associated with the activity, it may have a negative impact on internal drive and eventual accomplishment. It is essential to consider the kind and timing of rewards to prevent intrinsic drive from dissolving (Li et al., 2022: 300-319).

The impact of intrinsic motivation and rewards on worker performance may also depend on the nature of the task. Intrinsic motivation often has a greater effect on jobs that are interesting, challenging, or require creativity or problem-solving skills. Rewards, on the other hand, might have a bigger impact on ordinary, boring, or repetitive actions. The right motivational variables must be linked with the specific specifications of the work in order to get the optimum performance results (Gusriani et al., 2022: 130-142). Some employees may be primarily motivated by internal fulfillment and personal progress, while others may be driven primarily by external rewards from outside influence, such as financial rewards or recognition. Organizations should take into consideration the varied benefits of using a combination of intrinsic and extrinsic motivators.

Extrinsic motivation refers to external forces that persuade people to carry out particular behaviors or activities, frequently in an effort to reap benefits or avoid punishment. As opposed to incentives, rewards are specific results or incentives that are awarded to people based on their performance. Extrinsic incentives and rewards can increase employee productivity. By offering incentives like bonuses, promotions, recognition, or other tangible benefits, organizations establish a goal-oriented workplace that motivates people to reach or exceed objectives (Manjenje & Muhanga, 2023). Rewards provide employees clear objectives

to work toward, which improves goal clarity. When staff members are aware of the task that has to be done and the rewards associated with their achievement, their concentration as well as efficiency can increase. Rewards tied to performance may have an impact on employee job satisfaction (Ali & Anwar, 2021: 21-30.). When workers feel their efforts are appropriately recognized and rewarded, their motivation and engagement can rise, which can improve their sense of accomplishment and job satisfaction. The loyalty and retention of an employee may also be impacted by extrinsic incentives. When workers feel valued and recognized for their efforts, employee loyalty rises, retention rates increase, and turnover and associated costs are reduced. Therefore,

H1: "There is a positive and significant relationship between rewards and employee performance."

H2: "There is a positive and significant relationship between rewards and intrinsic motivation."

H3: "There is a positive and significant relationship between intrinsic motivation and employee performance."

H4: "There is a positive and significant relationship between rewards and extrinsic motivation."

H5: "There is a positive and significant relationship between extrinsic motivation and employee performance."

H6: "There is a mediating role of intrinsic motivation between rewards and employee performance."

H7: "There is a mediating role of extrinsic motivation between rewards and employee performance."

The conceptual framework of this study is shown in figure 1

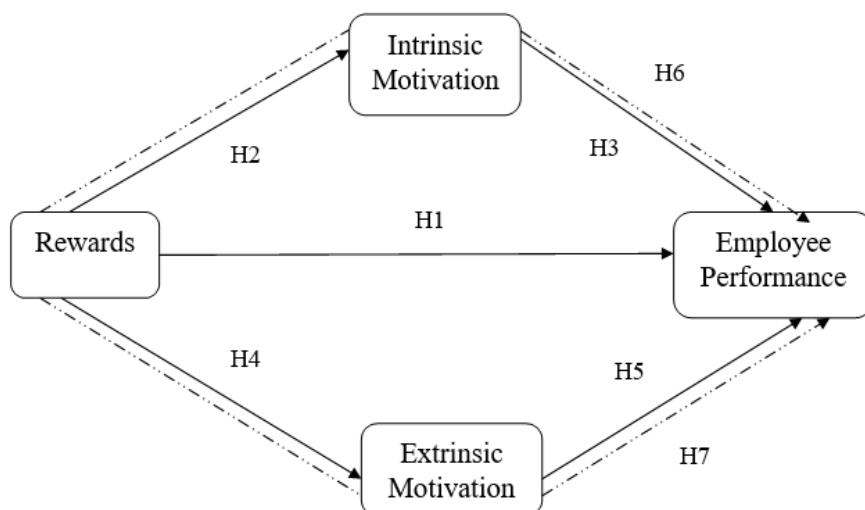


Figure 1. Conceptual framework

Source: Author compilation

## Research Methodology

The study is based on quantitative research design. For the questionnaire the variables of rewards, extrinsic motivation, intrinsic motivation and employee performance was employed. The scale ranged from 1 for "strongly disagree" to 5 for "strongly agree" on a 5-point Likert scale. For the validity of the questionnaire item objective congruence (IOC), test was used with five experts before going for the data collection process. The validity of the items is investigated in the pilot study using a sample of 30 participants. The sample data is collected by using the stratified random sampling technique which is 407 employees of commercial bank of China. The software used for data analysis was AMOS and SPSS. For the reliability and validity Cronbach's Alpha and Confirmatory Factor Analysis (CFA) was done.

**Table 1** Cronbach's Alpha

Variables	No. of items	Cronbach Alpha
Rewards	4	0.792
Intrinsic motivation	4	0.810
Extrinsic motivation	4	0.733
Employee Performance	4	0.802

*Source:* Data and information from this research

According to (Nunnally & Bernstein 1994), the acceptable criterion for Cronbach's Alpha should be at least 0.70, hence the study's results of 0.792, 0.810, 0.733, and 0.802 meet this requirement. Consequently, the data permit moving forward.

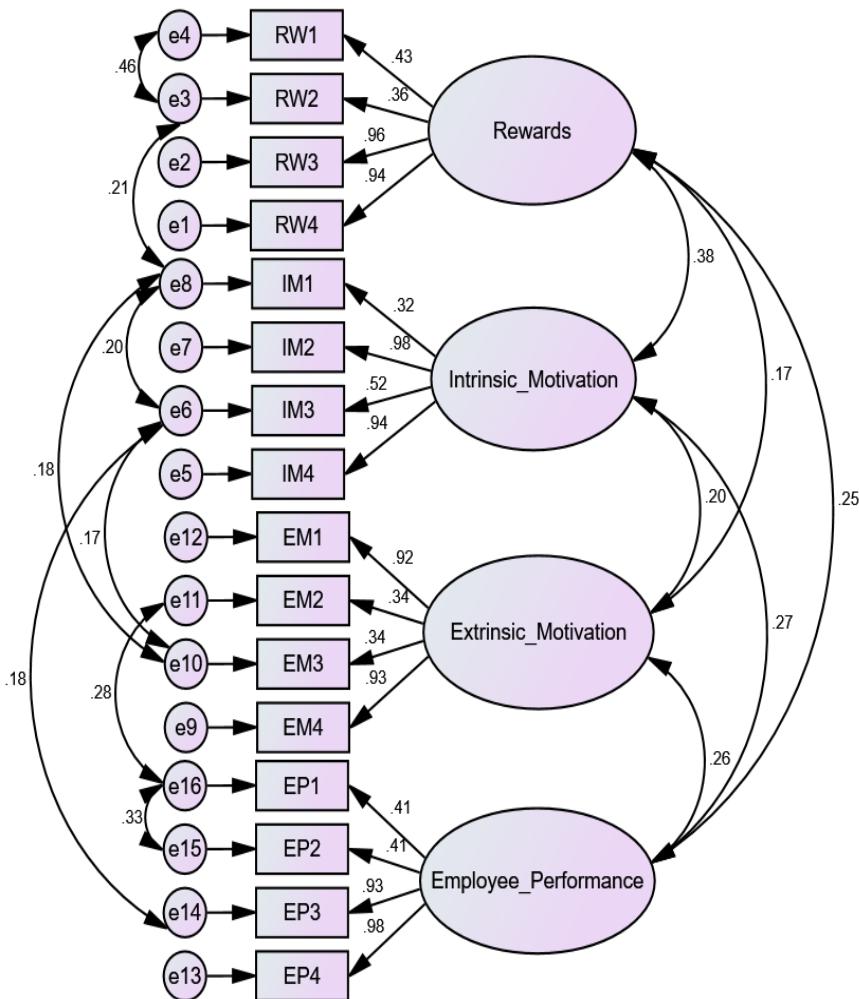


Figure 2. Confirmatory factor analysis

Source: Data and information from this research

**Table 2.** Model Fit table of all variables

Name of Category	Index	Accepted value	Value
Absolute fit	RMSEA	0.05 to 0.1 or less	0.084
	GFI	Greater than 0.9	0.903
Incremental fit	CFI	Greater than 0.9	0.934
	IFI	Greater than 0.9	0.934
Parsimonious fit	Chisq/df	Less than <5.0	3.896

Source: Data and information from this research

## Data Analysis

The total male in the study is 215 and 192 female employees. The age of the responded where the age from 20-30 years is 82. Responded from age 31-40 years 163. Likewise, age 41-50 years are 117 and from 51-60 years is 45. The educational level of employees whose educational level are senior secondary educational level are 41, likewise, employee's education level of undergraduate is 107, similarly, employees whose educational level are graduate 238 and employees whose educational level doctorate are 21. The employees working period from 1- 5 years are 79, likewise, employees working 6-10 years are 151, similarly, employees working period 11-15 years and employees working 16 years and above are 35.

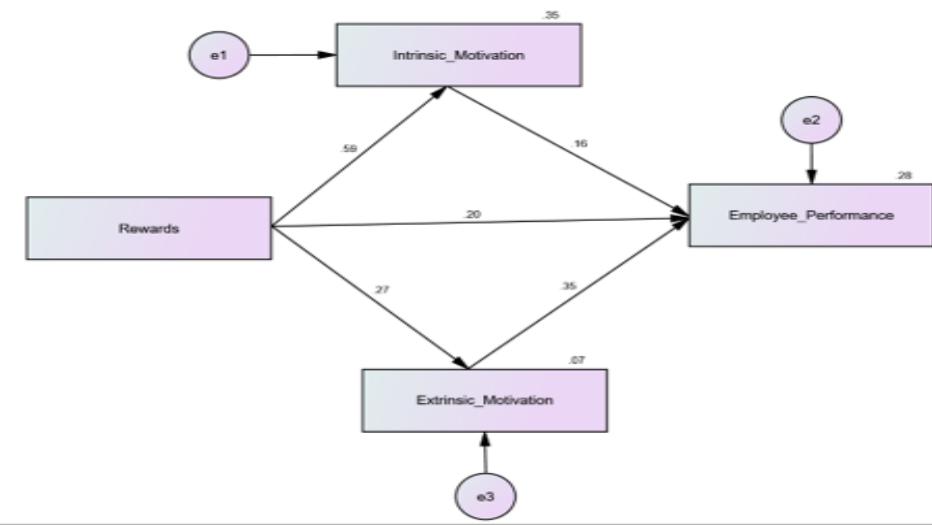


Figure 3 Path Analysis

Source: Data and information from this research

**Table 3** Model fit of path analysis

Name of Category	Index	Accepted value	Value
Absolute fit	RMSEA	0.05 to 0.1 or less	0.096
	GFI	Greater than 0.9	0.994
Incremental fit	CFI	Greater than 0.9	0.989
	IFI	Greater than 0.9	0.989
Parsimonious fit	Chisq/df	Less than <5.0	4.783

Source: Data and information from this research

The direct effect from path analysis is shown in the table 4 and indirect effect shown in table 5 below:

**Table 4** Direct Effect of Path Analysis

Direct Path		Standardized Path Coefficient	S. E	C.R	P
Reward	→ Intrinsic	0.59	0.045	14.656	***
Motivation					
Reward	→ Extrinsic	0.27	0.062	5.674	***
Motivation					
Intrinsic Motivation	→ Employee Performance	0.16	0.049	7.961	***
Extrinsic Motivation	→ Employee Performance	0.35	0.068	3.010	**
Reward	→ Employee Performance	0.20	0.077	3.774	***

Note: \*\*\*p<0.001, \*\*p<0.010

Source: Data and information from this research

**Table 5** Indirect Effect Path Analysis

Indirect Path	Estimate	Lower	Upper	P
Reward ---> Intrinsic Motivation	0.093	0.063	0.217	**
---> Employee Performance				
Reward ---> Extrinsic Motivation	0.095	0.093	0.192	***
---> Employee Performance				

Note: \*\*\*p<0.001, \*\*p<0.010

Source: Data and information from this research

## Discussion

The finding of path analysis is H1, is accepted which supports the study (Jeni et al., 2020: 28-43). The H2, H3, H4 and H5 is accepted. The result support the study (Munir et al., 2016: 88-97). The H6 and H7 which accepted. The table 6 shows the summary result of hypothesis testing.

**Table 6** Summary of Hypothesis Testing

	Hypothesis	Results
H1	There is a positive and significant relationship between rewards and employee performance.	Accepted
H2	There is a positive and significant relationship between rewards and intrinsic motivation.	Accepted
H3	There is a positive and significant relationship between intrinsic motivation and employee performance.	Accepted
H4	There is a positive and significant relationship between rewards and extrinsic motivation.	Accepted
H5	There is a positive and significant relationship between extrinsic motivation and employee performance.	Accepted
H6	There is a mediating role of intrinsic motivation between rewards and employee performance.	Accepted
H7	There is a mediating role of extrinsic motivation between rewards and employee performance.	Accepted

*Source:* Data and information from this research

## Conclusion

The conclusion of study is according to the objectives of the research which are describe hereunder:

**Objective 1- To study the relationship among rewards, intrinsic motivation, extrinsic motivation and employee performance.** According to a study on the relationships between rewards, intrinsic motivation, extrinsic motivation, and employee performance, there are many different aspects to employee motivation. It emphasizes how important it is for businesses to have a comprehensive plan that takes into account both intrinsic and extrinsic motivators, as well as personal traits and contextual factors that influence motivation. Understanding and making use of these linkages can help firms create cultures that support worker engagement, productivity, and overall success. The following hypotheses are accepted: H1, H2, H3, H4, and H5. These hypotheses demonstrate a significant and favorable association between rewards, intrinsic motivation, extrinsic motivation, and employee performance.

**Objective 2- To analyze the mediation role of intrinsic motivation on the relationship between rewards and employee performance.** The study of the mediating role of intrinsic motivation in the relationship between incentives and worker performance provides useful information for organizations wanting to optimize their reward systems. By understanding how rewards affect intrinsic motivation, organizations may develop and put into practice strategies that foster a positive work environment, increase employee engagement, and ultimately promote improved performance. The hypothesis H6 is accepted, which indicates that intrinsic motivation plays a mediating role in the link between rewards and employee performance.

**Objective 3- To examine the mediation role of extrinsic motivation on the relationship between rewards and employee performance.** The mediating role of extrinsic motivation in the relationship between compensation and worker performance sheds light on the intricate mechanisms at play. By understanding how rewards affect extrinsic motivation, organizations may create and implement strategies that use external incentives to boost employee engagement and productivity. This balanced approach, which includes internal and extrinsic motivators, can lead to a more thorough and durable approach to improving performance and fostering a positive work environment. H7, which demonstrates the mediating influence of extrinsic motivation on the relationship between rewards and employee performance, is accepted, according to the hypothesis.

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