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Employee performance and reward systems: A pathway to organizational success

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Abstract

In the evolving global workforce, retaining talent and aligning employee performance with organizational goals is a critical challenge, especially in high-pressure industries like insurance. This study examines the impact of reward systems on employee productivity within Bihar's insurance sector, using a mixed-methods approach to analyze the influence of extrinsic (monetary) and intrinsic (non-monetary) rewards on motivation, engagement, and retention.

Data was collected through structured surveys administered to 500 employees across insurance firms in Bihar, with an 87% response rate (435 participants). The survey assessed demographic profiles, performance perceptions, motivational drivers, and productivity metrics. Quantitative data was analyzed using descriptive statistics and correlation tests, while qualitative responses were thematically coded.

Findings reinforce the dual role of rewards as motivators and retention tools. Extrinsic rewards (e.g., salary raises) address economic needs, while intrinsic rewards (e.g., recognition) fulfill psychological and professional aspirations. However, systemic inefficiencies exist due to a disconnect between employee expectations and organizational practices. A significant majority perceive reward distribution as unfair (94.7%) and feel career progression is inadequately linked to performance (94.3%), highlighting the need for urgent reforms.

In Bihar's client-centric, high-pressure insurance sector, monetary incentives remain relevant but are secondary to career development and acknowledgment. Employees value transparent, equitable systems that recognize contributions and offer clear growth pathways. This study validates social exchange and expectancy theories, illustrating that employees weigh efforts against anticipated rewards and link performance to perceived equitable outcomes.

Keywords: Reward systems, employee productivity, insurance sector, extrinsic rewards, intrinsic rewards

Introduction

Modern organizations face heightened challenges in maintaining competitiveness, particularly due to globalization, which complicates employee retention amid diverse cultural workforces. Advances in technology and consumer awareness have shifted buying behaviors, emphasizing the need for adaptive strategies. Retaining skilled talent remains critical for sustainable advantage, as engaged employees drive productivity. Reward systems, designed to attract, retain, and motivate staff (as noted by Griffin and Moorhead)^[10], align organizational goals with employee performance. By offering incentives tied to management expectations, these systems shape positive behaviors, fostering higher engagement and efficiency. Strategically structured rewards not only boost individual performance but also cultivate a culture of accountability, innovation, and loyalty, positioning firms to thrive in dynamic markets.

Employee performance is the foundation of organizational success, as individual contributions collectively drive team and departmental outcomes, which ultimately determine overall productivity. Reward systems play a dual role: they monitor performance and act as motivational tools, helping organizations retain talent and attract new employees. By aligning tasks with organizational goals and optimizing employee efficiency, companies enhance their ability to achieve objectives. Shields *et al.* (2015)^[17] emphasize that reward systems must cater to diverse employee needs, blending monetary incentives like bonuses with non-monetary rewards such as recognition and career development. This balance is critical, as meeting employee expectations through tailored rewards directly enhances

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productivity. The "pay for performance" model includes promotions and commissions, while non-financial incentives encompass appreciation, improved working conditions, and enriched job roles.

Rewards are broadly categorized into extrinsic (monetary) and intrinsic (non-monetary). Extrinsic rewards, tangible and immediate, include salaries, bonuses, promotions, and fringe benefits, addressing economic needs and providing measurable recognition. Intrinsic rewards, psychological and derived from work itself, involve professional growth opportunities, social acknowledgment, and meaningful experiences like sharing success stories or participating in training programs. A harmonious integration of both types enhances commitment, motivation, and satisfaction, thereby maximizing productivity (Khan *et al.*, 2013)^[12]. Garg and Rastogi (2006)^[21] illustrate that non-financial incentives, such as job diversification, foster accountability and ownership. Wang (2004)^[18] posits that rewards symbolize the value placed on employee contributions, fostering loyalty and satisfaction a sentiment echoed by Brief and Weiss (2002)^[16], who link rewards to sustained job satisfaction.

Objective

This study aims to analyze the influence of reward systems on employee performance, using Insurance Organization in Bihar as a case study.

Research Objective:

1. To assess how rewards affect employee productivity and engagement in Bihar's insurance organizations.

Literature Review

The researcher integrated findings from prior studies aligned with the current research scope to derive critical insights into the core variables of the study. This was supplemented with data from scholarly articles, research papers, journals, digital libraries, and reference books, which helped explore effective reward strategies to enhance workforce productivity and organizational outcomes.

Farooqui and Nagendra (2014)^[9] emphasize that a well-structured reward system is essential for organizations to retain current employees and attract new talent. Motivated employees not only optimize their productivity but also contribute innovative ideas, making them a crucial competitive advantage. An effective reward system should incorporate both financial and non-financial incentives to ensure overall effectiveness.

Serwar and Abugre (2013)^[15] found a positive correlation between rewards and job satisfaction in the service industry. They suggested that managers can enhance job satisfaction by providing adequate rewards, which in turn motivates employees to improve productivity, efficiency, and effectiveness.

Zhang (2012)^[20] stated that individual performance influences team performance, which in turn impacts departmental performance, and the collective performance of all departments reflects the overall organizational performance. A company's reward system serves as both a means to assess employee performance and a strategy to enhance motivation.

According to Armstrong, Brown, and Reilly (2011)^[3], employee performance is influenced by various factors beyond rewards, including work environment, employer-employee relationships, training opportunities, job security, and recruitment policies. However, self-motivation is the

most critical factor, as motivated employees proactively enhance performance regardless of external conditions. Khan, Farooq, and Ullah (2010)^[13] emphasized that organizational success depends on individual employee performance. Higher individual performance improves team outcomes, ultimately contributing to overall organizational success. To achieve organizational goals, managers focus on optimizing employee performance, which requires an understanding of the factors that influence both individual and group productivity. Key factors include compensation, rewards, motivation, job satisfaction, and organizational commitment.

Donald & Gail (2001)^[7]; Organizations can achieve a competitive advantage by enhancing employee productivity, which directly boosts overall organizational performance. Reward systems are recognized as a key factor in maximizing employee productivity (Armstrong, 2013)^[3].

Campel and Cudeck (1994)^[14] stated that employee performance is measured based on declarative knowledge, procedural knowledge, and motivation. Additionally, HR policies and organizational culture play a crucial role in shaping performance.

Empirical research indicates that integrating extrinsic and intrinsic rewards with individual performance enhances productivity. To be effective, reward policies must align with organizational objectives. A well-structured reward system can significantly improve employee performance, fostering a competitive edge. Therefore, management must design rewards strategically to maximize motivation and ensure long-term success.

This study examines the impact of extrinsic and intrinsic rewards on employee productivity within an insurance organization. Employee productivity is the dependent variable, while extrinsic and intrinsic rewards serve as independent variables. Extrinsic rewards are categorized into four key components: salary, bonuses, benefits, and promotions. Conversely, intrinsic rewards encompass recognition, career development, responsibility, and learning opportunities. The most commonly analyzed extrinsic reward factors include salary, bonuses, benefits, and promotions, while intrinsic rewards primarily consist of recognition, career growth, responsibility, and learning opportunities. This study seeks to evaluate the influence of these extrinsic and intrinsic reward factors on employee productivity.

Research Methodology

This study adopts a mixed-methods approach, combining qualitative and quantitative techniques, to examine the interplay between reward systems and employee productivity. Data collection centers on structured surveys administered via a questionnaire, designed using validated measurement scales and insights from prior literature. The instrument is divided into four thematic sections:

1. **Demographic Information:** Capturing participant background.
2. **Perceptions of Performance Management:** Gauging attitudes toward existing systems.
3. **Motivational Drivers:** Identifying factors influencing engagement.
4. **Productivity Metrics:** Assessing performance outcomes.

Surveys will be distributed digitally to maximize accessibility and participation, with strict adherence to

confidentiality and anonymity protocols. Quantitative data will undergo statistical analysis (correlation tests) to uncover patterns and relationships between rewards and productivity, while qualitative responses will be thematically coded for deeper insights. The findings aim to

yield actionable strategies for optimizing reward frameworks and inform evidence-based organizational policies, alongside contributing to academic discourse on performance management.

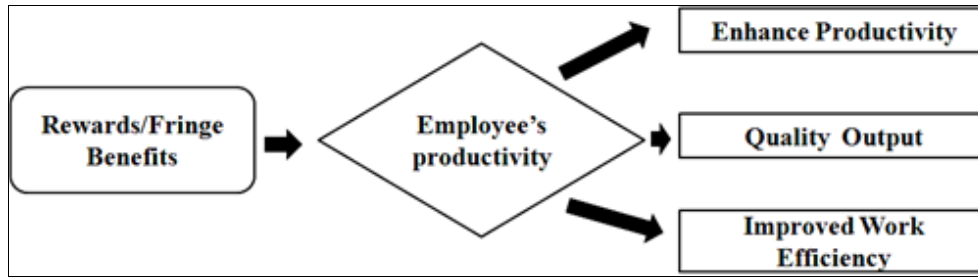


Fig1: Framework of the Impact of Rewards/Fringe Benefits on Employees’ Productivity

Findings and Discussion

The study surveyed approximately 500 employees from various insurance firms in Bihar using a structured questionnaire distributed through digital platforms and in-person interviews. Of the 500 participants, 435 successfully completed the survey, resulting in a response rate of 87%, which exceeds the generally acceptable threshold of 30% suggested by Sekaran (2001) [6]. A mixed-methods

analytical framework, combining descriptive statistics with both qualitative and quantitative techniques, was employed to evaluate the empirical relationship between reward systems, fringe benefits, and employee satisfaction. The key findings and their implications are discussed in the following sections.

Demographic Distributions

Table 1: Demographic distribution of respondents

S.No.	Variables	Options	Total Respondents	Response %
1	Age	18-26 Years	147	29.4%
		27-35 Years	260	52.0%
		36-44 Years	50	10.0%
		45-53 Years	25	5.0%
		Above 54	18	3.6%
		Total	500	100%
2	Gender	Male	373	74.6%
		Female	127	25.4%
		Total	500	100%
3	Job Title	Lower level	265	53.0%
		Middle level	189	37.8%
		Top level	46	9.2%
		Total	500	100%
4	Educational Qualification	Diploma	28	5.6%
		Undergraduate	96	19.2%
		Graduate	265	53.0%
		Post graduate	111	22.2%
		Total	500	100%
5	Year of Experience	2-4 years	132	26.4%
		4-6 years	176	35.2%
		6-10 years	106	21.2%
		Above 10 years	86	17.2%
		Total	500	100%

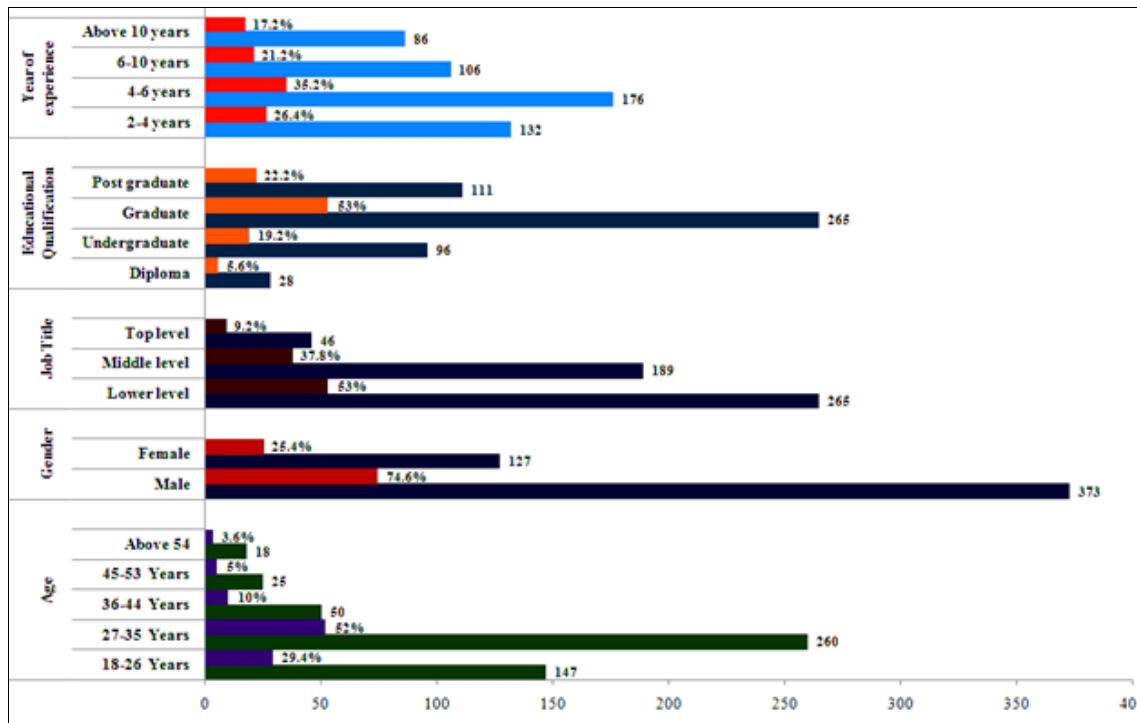


Fig 2: Demographic distribution of respondents

A survey of 500 insurance employees in Bihar highlights a gender imbalance, with 74.6% being male, and a predominantly young workforce, as 81.4% fall within the 18-35 age group. The industry benefits from high education levels, with 75.2% holding graduate or postgraduate degrees. However, mid-career professionals (61.6% with 2-6 years of experience) form the majority, while long-term retention remains low, with only 17.2% having over 10 years of tenure. The hierarchical structure, comprising 53%

in lower positions, 37.8% in middle management, and 9.2% in top roles, presents challenges in diversity, career growth, and retention. These trends emphasize the need for inclusive policies, leadership development, and strategies to improve employee longevity and career advancement.

Impact of reward/fringe benefits on employee’s productivity

Table 2: What reward do you find most appealing

Valid	Cash Rewards		Non-Cash Rewards		Salary Raise		Appreciation		Promotion	
	Count	%	Count	%	Count	%	Count	%	Count	%
1 SD	265	60.9	268	61.6	3	0.7	3	0.7	2	0.5
2 D	136	31.3	145	33.3	5	1.1	6	1.4	7	1.6
3 N	25	5.7	14	3.2	8	1.8	10	2.3	21	4.8
4 A	6	1.4	6	1.4	144	33.1	131	30.1	124	28.5
5 SA	3	0.7	2	0.5	275	63.2	285	65.5	281	64.6
Total	435	100	435	100	435	100	435	100	435	100

Table 2 shows respondents' reward preferences. Most strongly disagreed with cash (60.9%) and non-cash rewards (61.6%), while very few strongly agreed (0.7% and 0.5%). In contrast, salary raises (63.2%), appreciation (65.5%), and promotions (64.6%) saw high agreement. Neutral responses were minimal (1.8%-4.8%). This indicates a strong preference for recognition and career growth over monetary rewards.

Survey results reveal minimal preference for cash rewards

(60.9% strongly disagreed) and non-cash rewards (61.6% strongly disagreed). Conversely, salary raises (96.3% combined agree/strongly agree), appreciation (95.6%), and promotions (93.1%) received overwhelming approval. This underscores employees' prioritization of recognition, career growth, and salary enhancements over monetary or material incentives, highlighting the importance of acknowledgment and advancement in driving engagement.

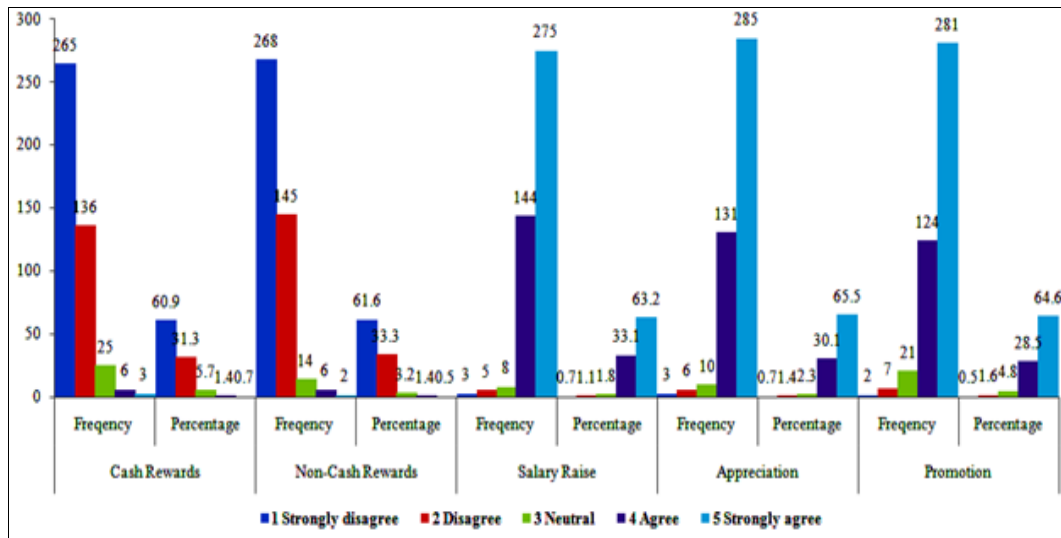


Fig 3: What reward do you find most appealing

Table 3: I feel motivated to perform better when I receive a reward

Description	Frequency	Percent
1 Strongly disagree	2	0.5
2 Disagree	3	0.7
3 Neutral	20	4.6
4 Agree	270	62.1
5 Strongly agree	140	32.2
Total	435	100

Table 4: Do you agree that rewards are important to retain high performers?

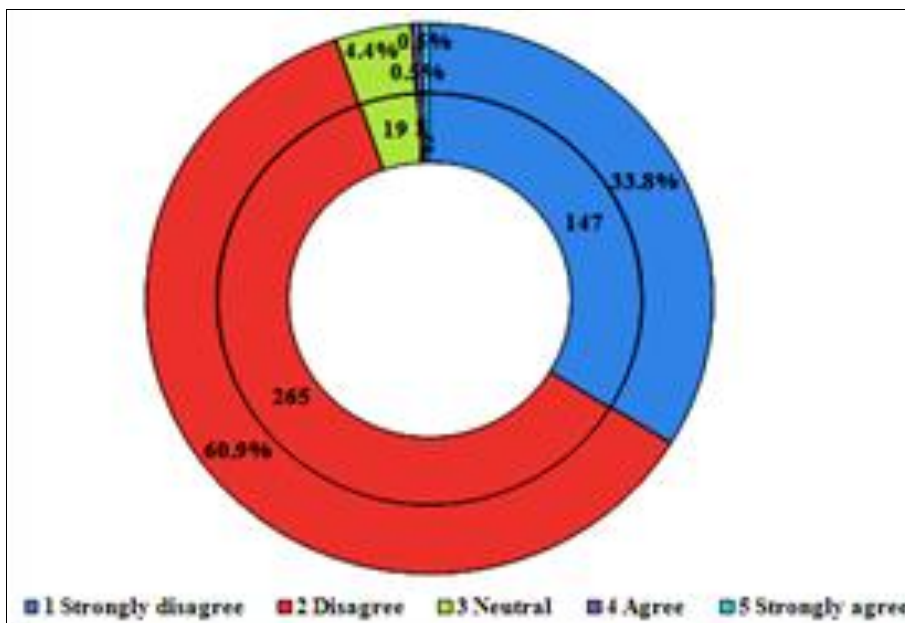
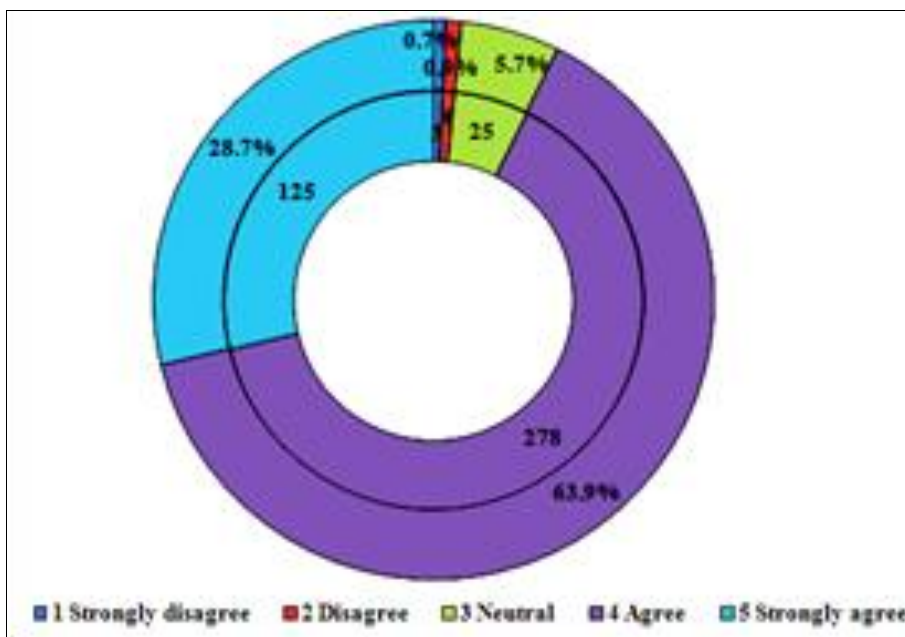
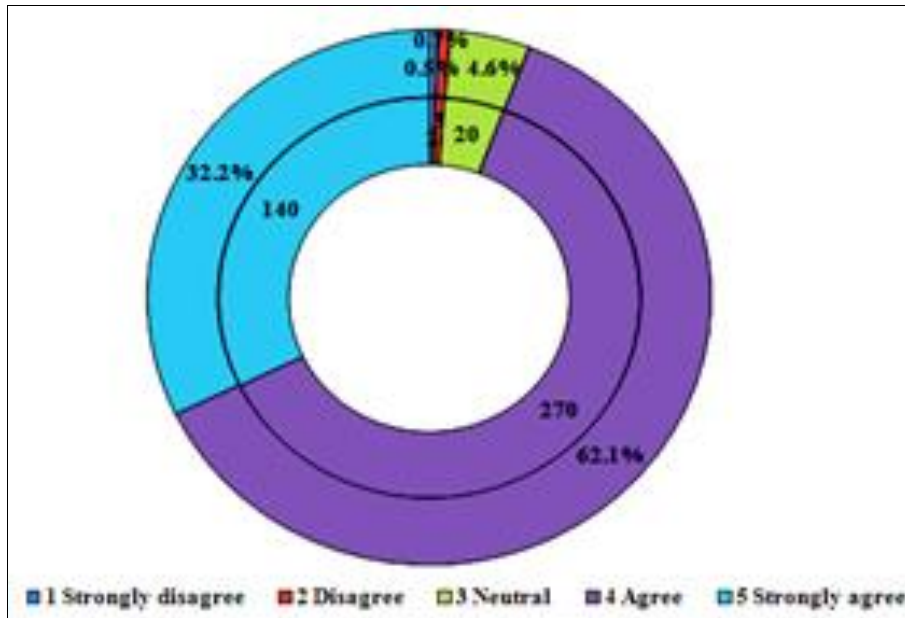
Description	Frequency	Percent
1 Strongly disagree	3	0.7
2 Disagree	4	0.9
3 Neutral	25	5.7
4 Agree	278	63.9
5 Strongly agree	125	28.7
Total	435	100

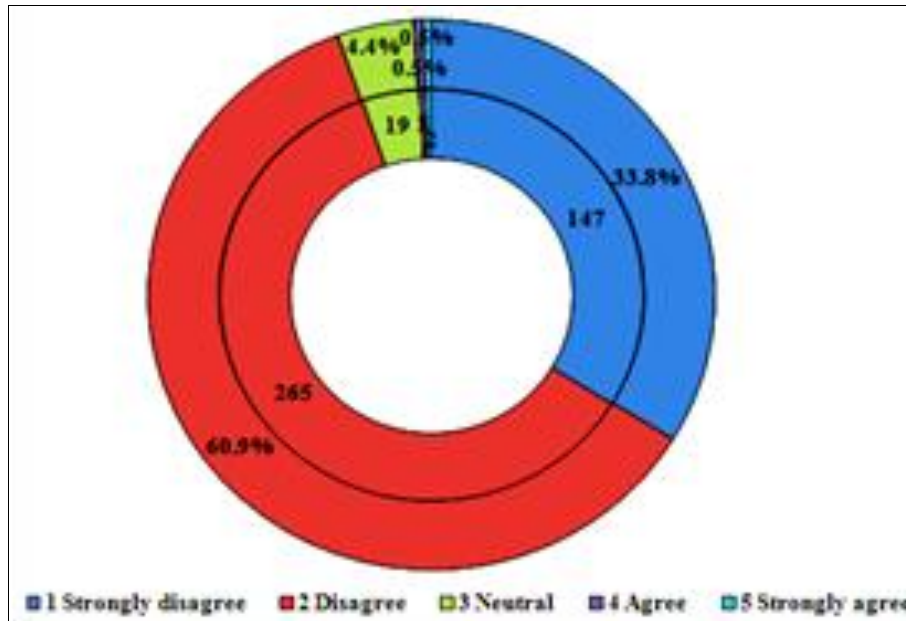
Table 5: Do you think the reward system at your organization is fair and equitable?

Description	Frequency	Percent
1 Strongly disagree	147	33.8
2 Disagree	265	60.9
3 Neutral	19	4.4
4 Agree	2	0.5
5 Strongly agree	2	0.5
Total	435	100

Table 6: Does your reward system link career advancement to performance?

Description	Frequency	Percent
1 Strongly disagree	137	31.5
2 Disagree	273	62.8
3 Neutral	22	5.1
4 Agree	2	0.5
5 Strongly agree	1	0.2
Total	435	100





A strong majority (94.3%) of respondents view rewards as a motivator, with 62.1% (270 individuals) agreeing and 32.2% (140 individuals) strongly agreeing. A small portion (4.6%, 20 individuals) disagreed, and 0.5% (2 individuals) strongly disagreed.

Regarding rewards' role in retaining high performers, 63.9% (278 individuals) agreed, and 28.7% (125 individuals) strongly agreed, totaling 92.6%. A small fraction (0.9%, 4 individuals) disagreed, while 0.7% (3 individuals) strongly disagreed. Meanwhile, 5.7% (25 individuals) were neutral.

Fairness in the reward system was a concern, with only 1% (4 individuals in both "agree" and "strongly agree" categories) perceiving it as fair. A small group (4.4%, 19 individuals) was neutral, while the majority (64.4%, 265 individuals) disagreed, and 33.8% (147 individuals) strongly disagreed.

Regarding performance-driven career planning, 62.8% (273 individuals) disagreed, and 31.5% (137 individuals) strongly disagreed, making up 94.3% of responses. A small percentage (5.1%, 22 individuals) remained neutral, while only 0.5% (2 individuals) agreed, and 0.2% (1 individual) strongly agreed.

Conclusion

Reward systems are crucial in Human Resource Management, particularly in the insurance sector, where they help attract talent, motivate employees, and retain high performers. This study highlights the strong influence of rewards and fringe benefits on employee productivity within the industry. While salary raises, appreciation, and promotions are the most preferred forms of recognition, concerns persist regarding fairness and the alignment of rewards with performance-driven career planning.

Most insurance professionals acknowledge the role of rewards in enhancing performance and retaining top talent. However, dissatisfaction with inequitable distribution and the lack of clear performance-based incentives indicates the need for improvement. A vast majority (94.7%) perceive the reward system as unfair, while 94.3% believe it does not effectively support career progression.

The preference for recognition-based rewards over financial incentives underscores the importance of acknowledgment

and career growth opportunities. Insurance companies must establish transparent, equitable reward structures that directly link incentives to measurable performance metrics. By addressing these concerns, organizations can enhance employee engagement, motivation, and long-term business success.

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