

Monetary Incentives Motivates Employee's on Organizational Performance

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Abstract: The purpose of this study is to determine the connection between financial incentives and their effect on employee performance. The main idea or goal is to also confirm that In a culture like ours, financial incentives are an effective way to motivate workers; where living expenses are very expensive. Additionally, it's to highlight the fact that financial incentives alone sufficient to encourage workers in all categories to improve their work performance. Workers are a priceless asset in achieving business objectives and ensuring that all hands are on duty, they must be inspired and motivated as one of the management's weapons to Incentive is to motivate an inspired employee.

keywords: Monetary Incentives, Employee Motivation, Organizational Performance

Introduction

How to inspire employees to perform better is one of the main issues that the majority of employers, in both the public and commercial sectors, face. The foundation of economics is the idea that performance is improved by financial incentives. The common belief is that the impact of The benefits of financial incentives are clear; a sizable financial reward enhances employee performance.

It is impossible to overstate the importance of employee performance. The prevailing consensus is that without motivation, employees won't work to the best of their abilities. Researchers have developed a variety of methods for inspiring employees at work. But just as human people differ from one another in terms of their needs, cultures, religions, etc., so too do they differ in what drives them. Financial, other, and non- financial incentives are used to encourage some employees.

Literature review

The most crucial factor for increasing an organization's effectiveness and, implicitly, performance is alignment between the goals of the organisation and that of its members (Milgrom and Roberts 1992; Davis et al. 1997; Laffont and Martimort 2001; Boswell et al. 2006).

Both public sector institutions and commercial businesses share this truth (Katou 2011).

In the last 30 years, New Public Management (NPM) has led numerous reforms in the public sectors to encourage this alignment. One of the key tenets of NPM is that organisations in the public sector must implement performance management based on goals, oversight, and rewards. In other words, a performance increase in the public sector necessitates a change from a "bureaucratic culture" to a results-based one that places an emphasis on outputs rather than inputs or processes. It is generally recognised that the use of economic motivation can change a firm's performance (Bann and Sgobbi 2010).

The balance achieved by acting on their design has been enriched with all those conceptual tools that research into human resource management (HRM) has created over time, with a focus on incentives and, in particular, on monetary incentives. How services are defined and measured has a significant impact on one's capacity to determine the effects of the incentives scheme design that will be used (Levitats and Vigoda-Gadot 2019).

The use of extrinsic incentive mechanisms has received a lot of attention in the literature (Perry et al. 2009), but without clear results. According to Perry et al. (2009),

Performance-Related Pay (PRP) has "usually" failed to bring about the desired reforms. It is important to keep in mind that a number of contextual elements, including organisational environment, scheme design, performance indicators, the nature of the incentive, etc., moderate the effectiveness of PRP (Spano and Monfardini 2018).

PRP's implementation in public service Due to government entities' use of non-market thinking, soften finds some pushback (Weibel et al. 2009;Frey et al. 2013;Belle 2015;Atkinson et al. 2014

Incentives and performance

Different incentive types are often divided into two groups. Financial and non-financial incentives make up these groupings. These two distinct groupings are depicted in figure 1. Figure 1 also presents common Finnish reward kinds from along with nonfinancial group. Financial incentives are the most important factor.and non- financial incentives, in turn, take a back seat in the scenario Base salary, profit sharing, gain sharing, perks, initiative awards, and special prizes are all forms of compensation. The majority of financial incentives, excluding perks and exceptional awards, are provided in cash. Advantages and unique prizes, however, are included in financial incentives since they provide economic benefits to the receivers.

Base salary, profit sharing, gain sharing, perks, initiative awards, and special prizes are all forms of compensation. The majority of financial incentives, excluding perks and exceptional awards, are provided in cash. Advantages and special awards, however, are included in financial incentives since they provide economic benefits to the receivers. A basic salary is the wage an individual generally receives from their employment. It is a minimal compensation for a certain work. In Finland, collective labour agreements are frequently used to establish base wage. When discussing how to motivate employees, base pay plays a very little role because, regardless of performance, all employees working on a given assignment receive the same basic pay. Because of this, basic pay has not been increased further. However, it is crucial to note that base pay has a greater role as a motivator at lower organisational levels than at higher levels since base pay is more significant at lower levels for meeting physiological demands.

Definition of Motivation

A motive is a rationale behind an action (Armstrong 2001). According to Oxford Dictionary, a person's motives are what cause them to act a certain way. Making someone motivated to do something is known as motivating them. Fajana (2002) asserts that motivation is a propensity to behave in a particular way.According to Armstrong (2001), motivation is concerned with the elements that led people to take certain actions.behave in a particular way. To inspire someone is to urge them to take action in a certain way.You want him or her to go so that you may accomplish your goal. Humans are driven by needs, wants, and desires. whether intentionally or unintentionally, driven by main or secondary requirements. primary requirements like:the physiological requirements for food, drink, sleep, shelter, and other non-essentials like self esteem,

Types of motivation

Intrinsic Motivation

Deci (1975) defined genuinely motivated behaviour as actions taken by a person to feel capable and autonomous. It is a component that people create for themselves that influences how they act.certain fashion.

These elements are accountability, independence (the ability to act), interest, and A person who is challenged inside themselves is more likely to take action. Intrinsic People who participate in an activity for its own sake, without any apparent reward, are motivated. current extrinsic inducement

Extrinsic Motivation

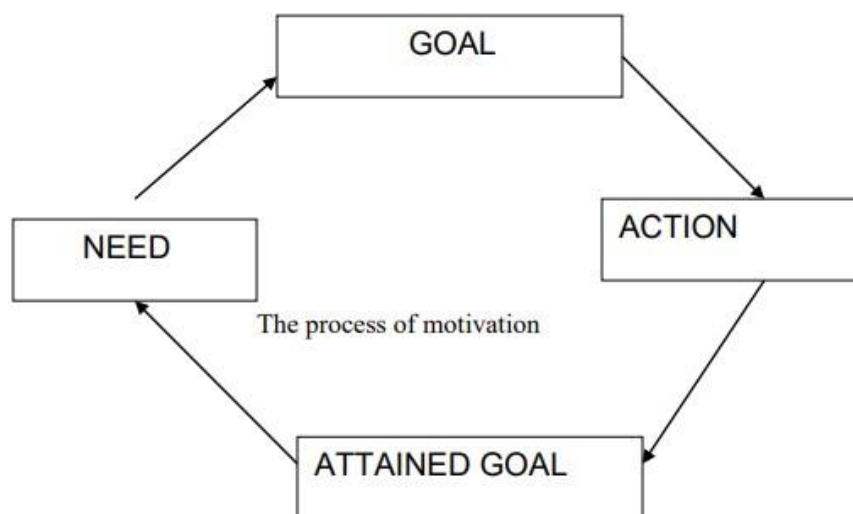
Human behaviour is one of the hardest things to anticipate in a work setting, and management has always and will continue to worry about productivity. This is what inspired Taylor to create a salary incentive system in the 1920s to encourage workers to be more productive. However, his strategy was ineffective because he failed to recognise that employees were also social creatures with social as well as psychological requirements.

This sparked the Hawthorn experiment, which showed that psychological elements were more important for high productivity than previously thought. Since 1940, behavioural science has been used in management began to emphasise need as the main driving force behind behaviour; as a result, management began to place a high priority on the idea and practises of motivation. People who participate in an activity for its own sake, without any apparent reward, are motivated current extrinsic inducement.

Process of motivation

Armstrong (2001) The awareness of unmet needs, whether conscious or unconscious, serves as the catalyst for motivation. These requirements result in desires, or the desire to get something.

Goals are established that are thought to meet certain needs and desires, and a behaviour route is chosen that is anticipated to help the goal be accomplished. If the aim is accomplished, the need will be met, and it is probable that the behaviour will be repeated the following time a similar need arises.



Theoretical framework

The reader will receive a theoretical framework for motivation in organisations as a whole from this study. Several ideas have been put out to explain the function of motivation at work. Below is a discussion about them.

Mc Clelland's Achievement Motivation Theory

According to this hypothesis, everyone has three primary motivating demands, although how much each one affects an individual's behaviour varies. The following categories apply to these needs:

Lack of Power

People with a high demand for power have been found to have strong ideas about how to exert influence and control. These people typically want to be in a leadership role.

Need for Membership

People who have a strong desire for attachment typically enjoy being adored in order to prevent the anguish of being rejected by a social group.

Desire for success

High achievers have a greater drive for success and a correspondingly greater fear of failure.

Goal Setting Theory of Motivation

According to this hypothesis, which was created by Murry and Stephen in 1979, people perform better and are more motivated when they have clear goals. when there is performance feedback and when demanding but agreed goals are set. Participating in goal-setting is crucial for establishing agreement with establishing greater objectives. According to Sambo and Mantami (1984), as long as objectives When established, challenging goals provide greater results than easy ones. This idea is therefore according to the idea of "Management by Objective" (MBO).

Equity Theory

The impressions people have about how they are treated in comparison to others are at the centre of this idea. An individual's subjective assessment of the fairness of the reward he or she receives in relation to the input (which may include criteria like effort, experience, and educational qualification) compared to the reward of others will affect motivation. People may become disgruntled, diminish the quality and quantity of output, or even leave the business if they believe their rewards are not distributed fairly. People are likely to keep producing at the same level if they believe the reward is fair. They could labour more, though, if they believe the rewards would be larger. The main issue here is that individuals could overestimate their

Maslow Hierarchy of Needs Theory

Abraham Maslow, a psychologist, developed this idea. He believed that people may be organised into hierarchies that rise from the lowest to the top. The Maslow hierarchy of needs is as follows. He came to the conclusion that when one set of needs is met, it often acts as a motivation.

Psychological: This is the need for things like food, air, clothing, and sex. Everyone's basic needs must be met without which life comes to an end.

Safety :is the requirement for defence.

Social: The need for love, approval, and affection. All people desire is a well-known fact to feel desired, accepted, and loved .

Esteem :is the requirement for a steady and high opinion of oneself.

Self-actualization/Self-fulfillment: This is the urge to maximise one's potential and

Conclusion

According on the research findings, one may draw the same conclusion that several academics have made: Employee motivation cannot be achieved just through monetary incentives. Additionally, a maximum of financial and non-financial incentives should be used, and diversity is the spice of life, as the "Spice of life" refers to how monetary and non-monetary incentives differ in their functions, efficacy, and appropriateness. It is best to employ a combination of monetary and non-monetary incentives to accommodate the various interests and demands of the workforce. Motivation is a complicated and individualized there is no ideal

method to approach the subject. The study demonstrates that financial incentives alone are insufficient to inspire workers. Pay is crucial because it enables the supply of the fundamental requirements for life, but is most significant in terms of what it means to the receiver in terms of money.

Managers must research their employees to determine the circumstances that motivate them. They do their jobs and the tasks they do. What individuals learn determines the worth of rewards to be related to. Imoisili asserts that exceptional achievers don't work for financial gain. They aren't driven by money alone; they also have a love of achievement, a passion for their profession, and winning itself. But underachievers frequently labour for money since it represents something they definitely desire.

Recommendations

- Organizations should guarantee that their employees are fairly compensated in keeping with the current economic climate.
- Employers of labour should occasionally use different sorts of incentives, varying them from employee to employee.
- Organizations should utilise money as much as feasible, especially with lower-level employees. This might range from earning commission to a vacation package.

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