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Influence of Incentives and Rewards on Employee Performance in Selected Public Institutions in Rwanda

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Abstract
The purpose of this study was to examine the influence of rewards and incentives on employee performance in public institutions in Rwanda. The study was anchored on human capital theory and supported by agency theory. The study adopted a descriptive research design to establish the problem that is under investigation. It was appropriate because it explored and described the relationship between variables in their natural setting without manipulating them. The target population of the study was 4 Public Institutions located in Kigali Rwanda. Purposive sampling technique was adopted to select the sample of the study. Structured questionnaires were instruments of data collection due to their effectiveness of capturing respondent information in a structured manner and the opportunity of respondents giving their views freely without interference from the researchers. Primary data was collected using questionnaires and interviews while secondary data was collected through review of relevant literature. The questionnaires were coded and edited for completeness and consistency and entered into Statistical Package for Social Sciences (SPSS version 21). Analysis involved descriptive statistics and inferential analysis. Descriptive analysis technique gave simple summaries about the sample data in quantitative descriptions and included, mean, standard deviation, frequencies and percentages. Inferential statistics were used to determine the relationships and significance between independent and dependent variable. Correlation and linear regression were used to analyze the data with F-test being applied to the test hypothesis at 5% level of significance. Content analysis was used for the qualitative data. The data was presented using tables, graphs and charts. The study found that incentives and rewards had a positive significant influence on employee performance in Selected Public Institutions in Rwanda. In addition, positive significant relationship was found between

recognition schemes on employee performance in Selected Public Institutions in Rwanda. All the sub variables had factor values more than 0.5 and therefore they were accepted and thus no sub variable was dropped. Specifically, the respondent agreed that every employee in their organization regardless of performance are all praised of performance (M=3.961, SD=1.476) and that their organization gives them incentives that motivates them to work hard (M=3.948, SD=1.263). The findings also showed that the respondents agreed that top management in their organization thanks employees whenever they perform well (M=3.915, SD=1.343); when their organization makes profit at the end of the year, they share it and this motivates them to work (M=3.863, SD=1.326); and that every year best performers in their organization get certificates of achievement (M=3.836, SD=1.22). The coefficient of determination R Square is 0.248 and R is 0.498 at 0.01 significance level. The model shows that Incentives and Rewards explain 24.8% of the variation in employee performance. This implied that there exists a positive significant relationship between Incentives and Rewards and employee performance. Based on the findings, the study concluded that when it comes to incentives and rewards, employees feel valued by their organization and thus work extra hard to enhance their performance, in order to be rewarded more. When employees are rewarded according to their qualifications and performance, they get satisfied with their job. This can be exhibited through low labor turnout and less absenteeism amongst employees. The study recommended the policy makers to formulate policies than embrace reward systems that could be implemented by existing banks to give them a competitive advantage and for the new banks in setting structures that support employee performance. Rewarded employees are strongly enthusiastic about their work and function as a critical source of inspiration for others. Rewards systems are critical for and important elements in the success of organizations.
Keywords: Rewards and Incentives, Employee Performance, Public Institutions, Rwanda.

Introduction

Globally, Public Institution's success or failure depends on the human capital. This is because other resources, including machines and machinery, are variables that are inert, but human resources are not (Hassan, 2014). Human beings think, conceive, perceive, prepare, and interpret; thus, they are the most valuable tools for any organization (Delaney, 2010). Proper et al (20099) argued that the most significant factors in providing versatility and organizational adaptability are the people. Successful managing of human resources requires sound handling of (HRM) activities. Authors have had numerous controversies about the value of human resource practices. Maroko and Maundu (2015) pointed out that human resource practices are critical in helping organizational management to predict the need for labor supply to ensure that an enterprise has the right balance of workers and expertise where and when it is needed.

Dauda et al (2010) further considers employee compensation as the complete of all prizes gave to workers in return for their service, the general reasons for which are to attract, retain and motivate employees. In a research by Lamba and Choudhary (2013) outcomes demonstrated that there was a positive connection between employee compensation and execution. This implies that if rewards being offered/to employees was to be modified, and afterward there would be a relating change in satisfaction and work inspiration while the periodic salary increments, allowance, bonuses, fringe benefits and other compensations on normal and specific periods keep worker morale high and makes them more motivated (Danish and Usman, 2010).

The study considered the employee motivation in some selected Public Institutions in Rwanda. The study will also look at other motivating factors like salary, incentives and rewards, recognition schemes and indirect compensation. This study was interested in analysing these compensations and also examining the effect of these on employee performance.

Statement of the Problem

Public institution in Rwanda operates under extreme pressure and in a highly competitive environment. The compensation practices include not only salary, but also the direct and indirect rewards and benefits the employee is provided with in return for their contribution to the organization. Some of the benefits of employee's performance include health insurance, disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, vacation (paid and no-paid), funding of education as well as flexible and alternative work arrangements.

The challenge for Rwanda Public Institutions today is therefore is to come up with an efficient reward strategy for retaining these core employees for the success of the organizations. Another challenge is that the employer is unable to predict the future needs of their employees. The fundamental issues for organizations are to keep track of the ever-changing needs of employees so that they can become an employer of choice to employees. It is very imperative for organizations to have knowledge of these attributes so that they may be able to match their attraction and retention strategy to the needs of the workforce.

Further, public institutions in Rwanda are facing different challenges in compensation practices for their employees, some of those challenges facing by organizations is retention of employee, lack of training, unskilled labor in Public Institutions etc Caragan (2009) states that many professional companies are in a dilemma as a result of the competition that is present in attracting and retaining highly skilled workers because they fail to match the salaries being offered by their competitors or to offer more than their competitors. The compensation in Rwanda Public Institutions is poorly managed and most of the time performance is affected adversely (Tumwine, 2014). Therefore, the problem the researcher intends to investigate in order to understand to what extend compensation practices contribute to employee performance in Selected Public Institutions in Rwanda. Pate *et al* (2010) found out that a positive relationship existed between employee compensation and performance. This implies that employee compensation is a very vital human resource factor and is also an important factor in employee performance. Moreover, compensation is relevant to employee morale and performance. However, those research studies were mostly conducted in the private Institutions. Some research however has been conducted around the effect of employee incentives in the public organizations (Dessler 2013; Hall *et al.,* 2013; Snelgar et al., 2013; Uzman, 2010; Baloch *et al.* 2010), but those studies are mainly conducted in the international context and some are conducted in industrialized countries where social, economic and cultural factors are different.

To surmount this scenario public Institutions in Rwanda, require the input of their employees. These employees are supposed to be well remunerated in order to unleash their full potential. But rewarding and recognizing employees is a tricky business because of the diverse needs. As such, public Institutions in Rwanda need to device a compensation system that will enable them meet their employees' expectation. However, designing such a compensation system is not easy since it is aimed at influencing human behavior. Therefore, this current study sought to ascertain the types and the influence of incentives and rewards on employee performance in Selected Public Institutions in Rwanda.

Literature Review

Human Capital Theory

Human capital refers to the combined intelligence and employee experience as a source of competitive advantage which rivals Resick (2007) cannot imitate. This theory advocates attracting, engaging, rewarding, and developing individuals within organisations. Because some of the employee compensation practices in this research are meant to ensure that employee performance is enhanced this theory is relevant in the context of Agriculture and Business Institutions. This theory was however criticized for not addressing other underlying employee performance components. Scholars have argued that it's only the features that ultimately enhance employee performance. The theory within this study is relevant. That's because it considers reward which is also a compensation component. This means that despite the fact that the theory does not examine the effect of the rewards employees can be rewarded for their efforts.

Human capital emerges out of any activity ready to raise individual worker productivity (Abdullah, 2014). In practice full-time education is, too readily, taken as the principal example. For workers, investment in human capital involves both direct costs, and costs in foregone earnings. Workers making the investment decisions compare the attractiveness of alternative future income and consumption streams, some of which offer enhanced future income, in exchange for higher present training costs and deferred consumption. Returns on societal investment in human capital may in principle be calculated in an analogous way (Afsal, 2013). Human capital in a real sense is an 'invisible asset' (Bal, Bozkurt, & Ertemsir, 2012). The importance of the human capital pool (the collection of employee capabilities), and how it is managed through HR processes, becomes apparent, then, to the strategic aims of the organization. If the types and levels of skills are not equally distributed, such that some firms can acquire the talent they need and others cannot, then (ceteris paribus) that form of human capital can be a source of sustained competitive advantage. This emphasis on human capital also chimes with the emphasis in strategy research on 'core competencies,' where economic rents are attributed to 'people-embodied skills (Chebet, 2015).

The organization also has to leverage the skills and capabilities of its employees by encouraging individual and organizational learning and creating a supportive environment where knowledge can be created, shared and applied (Chebet, 2015). Despite the fact that Human Capital Theory is founded on the ideology of employee development, it is noted by Dauda et al (2010) that human beings are dynamic in nature and keeps on changing their goals from time to time. Further, they argue that developing human capital can be a costly venture to an organization since employees can resign, die or look for new jobs in other organizations. This theory was applicable in this study on the concept that microfinance institutions have to invest in employee skills and knowledge in order to maximize productivity.

Conceptual Framework

A conceptual framework is a scheme of concepts or variables which the researcher operationalizes in order to achieve set objectives. It is a schematic or diagrammatic presentation of the theory. The theory is presented as a model where research variables and the relationship between them are translated into a visual picture to illustrate the interconnections between the independent and dependent variables (Oso & Onen, 2009).

Independent variable **Dependent variable**

Incentives and rewards

- Career Development
- Personal Growth
- Responsibilities

Employee Performance

- Enhanced Productivity
- Quality and quantity of output
- Efficiency and effectiveness of the work completed

Figure 1: Conceptual framework

Research Methodology

The study adopted cross-sectional survey research design which is a procedure in research whereby investigators administer a survey to a sample or to the entire population of people to describe the attitudes, opinions behaviors, or characteristics of the population. A cross sectional survey research design helped the researcher in unravelling the purpose of the study; the period of time over which the data was collected and the type of analysis. The design provided information in a short period of time, such as the time required for administering a survey and collecting information. Cross-sectional design allowed for the description of relationships between variables under study which enabled the researcher collect and compare several variables in the study at the same time. The study also utilized both quantitative and qualitative research approaches that were ideal in collection of data through the instruments of questionnaires and interview schedules. Quantitative research approach was relevant to the study as it enhances the collection of numeric data from a large number of respondents.

This approach was also instrumental with pre-set questions and responses, analysis of trends, comparing groups, and relation of variables using statistical analysis. It was also ideal in the interpretation of results by comparing them with previous predictions and past research, and in writing the research report using standard, fixed structures and in taking an objective and unbiased approach. While qualitative research approach enabled the researcher to explore the problem and developed a detailed understanding of a central phenomenon. The research used the literature review to play a minor role but justified the research problem. Data was collected based on words from a small number of respondents so that the participants' views were obtained. Data was also analyzed for description and supplemented its interpretation by using qualitative data then interpreted the larger meaning of the findings.

The target population of the study was the selected Public Institutions in Rwanda. According to (RURA, 2014) the total Public Institutions in Rwanda are fifty-six. The target population is the population that the researcher wants to generalize results to (Mugenda & Mugenda, 2013). The study population is the key focus elements of the study. The study population was 4 Public institutions which have completed the restructuring process.

Table 1
Sample Distribution

Organisation	Population	Sample Size
WASAC	800	193
REG	230	56
RDB	134	32
BNR	90	22
Total	**1,254**	**303**

Basing on the above formula, the researcher used 95% as the confidence level of which Alain Bouchard says is more reliable. The sample size was fully calculated then, the interviews were conducted to those respondents selected and questionnaires were filled by them.
This study used questionnaires to get the necessary information. The researcher used both open-ended and close-ended questionnaires. These are set of questions designed to extract information relating to a survey. It is also referred to as a series of questions asked to individuals to obtain statistical information about a given topic or to collecting a wide range of information from a large number of individuals, often referred to as respondents (Punch, 2009).

Incentives and Rewards

Incentives and Rewards in Selected Public Institutions

Respondents were asked to indicate the extent to which they agreed with the following statements on incentive and rewards and its influence on their performance. Table 2 presents the findings obtained.

Table 2
Descriptive Statistics for Incentives and Rewards

Incentives and Rewards	1	2	3	4	5	Mean	Std. Dev.
Every Employee in my Organization regardless of performance are all praised of performance.	4	7	7	237	22	3.961	1.476
My organization gives us incentives that motivates us to work hard	7	7	16	208	39	3.948	1.263
Top Management in my Organization thanks employees whenever they perform well	7	13	7	218	31	3.915	1.343
When our organization makes profit at the end of the year, we share it and this motivates us to work	7	7	24	217	22	3.863	1.326
Every year best performers in my organization get Certificates of achievement.	13	4	29	202	29	3.836	1.22

From the findings in Table 2, the respondents agreed with the various statements since all the man values were above 3.5. Specifically, the respondent agreed that every employee in their organization regardless of performance are all praised of performance (M=3.961, SD=1.476) and that their organization gives them incentives that motivates them to work hard (M=3.948, SD=1.263). The findings also showed that the respondents agreed that top management in their organization thanks employees whenever they perform well (M=3.915, SD=1.343); when their organization makes profit at the end of the year, they share it and this motivates them to work (M=3.863, SD=1.326); and that every year best performers in their organization get certificates of achievement (M=3.836, SD=1.22).

These study findings agree with Wambui (2015) that incentives are a force that encourages workers to act in certain ways and they may choose to work as hard as possible in a job, to work as hard as possible to escape a reprimand or to do as little as possible. It also agrees with Khalid et al (2014) that incentives are an instrumental drive towards employee inspiration and execution and it has great advantages and high possibilities to motivate workers to put in their best in any giving task.

Regression Analysis for Incentives and Rewards

Regression analysis was conducted to determine whether there was a significant relationship between Incentives and Rewards and employee performance as shown on Table 3.

Table 3
Model Fitness for Incentives and Rewards

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498a	0.248	0.245	0.47002

Table 3 presents the regression model on Incentives and Rewards versus employee performance. As presented in the table, the coefficient of determination R Square is 0.248 and R is 0.498 at 0.01 significance level. The model shows that Incentives and Rewards explain 24.8% of the variation in employee performance. This implied that there exists a positive significant relationship between Incentives and Rewards and employee performance.

Table 4
Analysis of Variance for Incentives and Rewards

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.564	1	19.564	88.555	0.000
Residual	59.428	269	0.221		
Total	78.992	270			

The Analysis of Variance (ANOVA) results are shown in Table 4. The findings further confirm that the regression model of performance on Incentives and Rewards index is significant for the data F =88.555, p<0.01) since p-values was 0.00 which is less than 0.05.

Table 5
Incentives and Rewards and Employee Performance

	Unstandardized Coefficients		Standardized Coefficients		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	1.902	0.221		8.622	0.000
Incentives and Rewards	0.522	0.055	0.498	9.41	0.000

Table 5 shows the coefficient for fringe benefits. The fitted model from the result is
$Y = \beta 0 + \beta_2 X + €$ implying $Y = 1.902 + 0.522X$
This implied that a unit change in Incentives and Rewards will increase employee performance by the rate of 0.522.

Conclusions
The study found that incentives and rewards have positive influence on employee performance in public institutions in Rwanda. The relationship was considered to be significant since the p-value was less than the selected level of significance. Based on the findings, the study concludes that there is a positive significant relationship between incentives on employee performance in Selected Public Institutions in Rwanda.

Instrumentation is the belief that if one meets performance expectations, he or she will receive a greater reward (McShane & Von Glinow, 2011). This reward may come in the form of a promotion, pay increase or sense of accomplishment.Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoids pain (Hartzell, 2015). Therefore, the interaction of the three variables leads to increased motivation and morale among employees. When workers are motivated they will unleash their potential and the organizational operations was efficient. They will also be willing to put extra effort in their line of duty with others in the organization in order to improve organization performance. The theory supports the variable fringe benefits by hypothesizing that employee was motivated to put extra effort to improve their performance when they expect benefits such as paid holidays, health insurance, profit sharing and extras like bestowing performance awards and prizes

Contribution of the Study
This study was significant in several ways
To the policy makers in Public Institutions, the Findings from this study helps them to know how exactly compensation influences the performance of their employees. This knowledge helps them to improve their compensations for employees or otherwise.

This study is also significant to other researchers in that it creates a better understanding with regard to the influence of compensation practices in the Public Institutions. Other scholars might have an opportunity of referring to this study thus enhancing the field of academia. This literature is limited in Rwanda.

This study further enhances research in the field of compensation practices in the Public Institutions. Findings were a basis for further research in related areas since the findings from this research helps those in academia to get the relevant data.

To the individuals that own businesses, the study helps them appreciate the role of compensation in motivating employees. This therefore influences their decision to consider appropriate compensation practices for their employees.

The research findings were used by policy makers to design National policies human resource policies. This may also help in employee compensation regulation.

As a student of human resource management, the researcher is optimistic that the study to a large extent enhances my career in research and compensation management. The study is also a contribution that I make to the Academic field in general and employee compensation dynamics in particular.

Recommendations
Incentives and rewards were also seen to have positive significant influence on employee performance. The Public Institutions in Rwanda should therefore ensure that they reward and give incentives to their employees. This can be achieved through career development opportunities, personal growth and assigning them responsibilities within the organization.

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