The Impact of Financial and Moral Incentives on Organizational Performance: A Study of Nigerian Universities

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Abstract

The study aims to examine the impact of financial incentives and moral incentives on organizational performance on employees of the Nigerian Universities. This study aims at investigating the role of the Nigerian universities in meeting the employees’ societal needs, knowing the implemented incentives approach and knowing the level of performance in the Nigerian Universities. Six universities in Nigeria were selected for the purpose of this study and analysis was done using Statistical packages for social sciences (SPSS) program.

The main findings indicated that there is an adequate level of incentives provided to employees in Nigerian universities. Financial Incentives ranked in 1st while moral incentives ranked 2nd. It was also found that there is a high level of organizational performance. There was also a negative relationship between financial and moral incentives and organizational performance. Finally, this study has verified further research opportunities that could enrich the understanding of incentives and organizational Performance in Nigerian universities.

Keywords: Incentives; Organizational performance; Education; Universities; Nigeria

Introduction

Organizations over the years are facing challenges on both internal and external work environment, organizations therefore cannot maintain institutional performance without providing incentives to their employees based on their effective and efficient role. Like other organizations facing many challenges under globalization, especially in terms of providing incentives to employees, there is need for universities to formulate an integrated system of incentives to commensurate with development of works to serve general objectives of increasing knowledge, reduction of cost, providing high quality services, achieving competitive share amidst several organizations in the country.

The problem identify in this study is to know the extent Nigerian universities implement incentive programs to staffs. The following questions will therefore be answered by this study: What is the level of financial and moral incentives provided to staffs in the Nigerian Universities and what is the level of performance in the Nigerian universities?

This study aims to identify the reality and the role of the Nigerian universities in meeting societal needs of the employees, to know the implemented incentives programs in Nigerian universities. Others include, identifying financial and moral incentives adopted in the Nigerian universities and to know the level of performance in the Nigerian universities. The importance of this study is to know the role universities plays in the society, which means there is the need for an ambitious incentive program. Also the existence of the financial and moral incentives program in Nigerian universities will on the long run contribute to improve service delivery.

Literature Review

Incentives are designed to encourage performance of employees regardless of the form of incentives. It plays an important role in promoting employees’ capacity and moving abilities, motivating them to develop their skills, abilities and balance between organization requirements and the individuals’ needs which improve the organization performance effectively and efficiently.

The concept of financial incentives

Financial incentives may mean the amounts paid to employees, either in the form of a lump sum or in the form of monthly payments or in any other form which serves as additional income to an employee. It is considered the oldest forms of incentives which is characterized by quick and immediate form that make employee feel of an immediate feedback of their effort in meeting the organizational goal. Lawzi [1] defined financial incentives as a set which may satisfy basic human needs, encourage employee to do their best, and increase the level of their competences such as through prompt payment of salary, bonuses, allowances, profit sharing and rewards.

Jadallah [2] also defined financial incentives as any form of payment based on increased and or improved productivity, as a result the employee earns more as they produce. While the fall in quantitative or qualitative production deny the worker from earning partial or total incentives, financial incentives on the other hand try to raise productivity and improve performance through encouraging employee to behave in a desired and prescribed manner in order to achieve organizational goal. The most influential factor that may raise the need of workers to work is financial incentives which may be in form of wages, are appropriate and capable of satisfying employees need. On the contrary, low payment that is not appropriate to his efforts of work may lead to the low efficiency of productivity [3].
The advantages of financial incentives to an organization may include a rapid and immediate impact on the employees' efforts that encourage him to do his work to the fullest, increase in production, increase in revenue as a result of increase in productivity and improvement in performance. According to Al-Jahni [4] employees gain numerous psychological and social benefits as a result of enhancing his purchasing power to satisfy his needs of goods and services.

The disadvantages of financial incentives could push the employee for extreme hard work, which may often affect the workers' physical and mental state in the future and affect his social and humanitarian issues which may not take into consideration the employees age or his health condition. According to Angari [5], financial incentives could not be applicable for a number of activities that are not based on quantity of production but rather on services rendering such as business services, supervision, security, the judiciary and scientific research.

Financial incentives alone may not sufficient enough except supported by other types of incentives. Their effects may be limited to satisfying the biological and basic needs of employees and have a slight impact after it reaches the limit of needs. Hence, employees are not willing to increase quantity produced for extra financial gains, thus, cannot be financially motivated to contribute in increasing production except for a certain amount based on their efforts [6]. There is a direct relationship between increased production and the interest of the employee, therefore financial incentives is an essential factor to the employee, in addition to stability and reassurance which gives him the opportunity to explore their talents and skill [2].

The concept of moral incentives: Al-Jahni [4] defined moral incentive as a set of motives aimed at achieving emotional and psychological balance and humanitarian needs of employees by treating them properly and eliminating issues that may bring up complains, reward and punishment rule, provision of systemic and entertainment services for employees and raising spiritual enhancement in the workplace.

Moral incentive may make an employee behave in a particular way when he has been taught to believe that it is the right or proper or admirable thing to do. If he behaves as others expect him to, he may expect the approval or even the admiration of the other members of the collectivity and enjoy an enhanced sense of approval or self-esteem. When employee behaves improperly, he may be criticized, disrespected, ridiculed or even ostracized from the collectivity, and he may experience unpleasant feelings of guilt, shame or self-condemnation. Moral incentives are related to psychological needs, the increased interest to this aspect came after the surfacing of human relations theories. Moral incentives are based on employers respecting the feelings of their employees, their hopes and aspirations [7]. Moral incentives could be in the form of participatory decision-making, certificates of appreciation, training and parties for illustrious employees’ etc.

It could also be in other forms of sending the employee a letter of thanks or choosing him as honorary employee in the firm [8]. Lawzi [1] aserts that increasing employee's satisfaction and loyalty to his work enhance more cooperation with his colleagues, which include the chance for promotion, identification and appreciation of job efforts, taking for a post, impact of the career, participation in decision making, opportunities for growth and innovation and the chance to express his opinion. It is suggested that moral incentives are not less important than financial incentives [3]. So, financial incentives may not be achieved alone unless supported with moral incentives. The importnace assigned to moral incentives depends on the conditions of the firm, thus, based on the organization circumstances, it may choose between financial incentives and moral incentives that are necessary to satisfy the social needs of the individual.

Hasan [9] posits that moral incentives are therefore related to internal and external environment of the firm, such as supervision, leadership, fellowship, the working conditions of light, ventilation, noise heat, decorations and involvement in decision making. It can be asserted that positive moral incentives consequently raise of spirit for the individuals, such as job enrichment, holidays, health insurance, the appropriate post, nature of supervision, sense of belonging, stability, job security, participation in decision-making, promotion, confidence in the objectives of the firm, system proposals, listing in the panel of honor, social harmony, literarily and moral distinguishing. Negative moral incentives are for negligent acts, such as shame and blame.

Theories of incentives

Theory of behavior change is interested in motivation of external behavior more than interior behavior, for example, fear is an interior sense of danger while scholars consider it as a natural phenomenon in many forms such as running nose, dry throat and trembling knees. "Behavior change is often a goal for staff working directly with constituents, organizations, governments or communities. Employees charged with this task can be thought of as interventionist whose goal it is to design and implement programs or interventions that produce the desired behavioral changes". It means any change in human behavior through the use of positive or negative support elements; this applies to both the organization and the individual. So when the individual in the organization perform well, the management should praise him in any form of incentives [10].

One of the most well-known theories of human motivation is that of by McClelland. He developed a meaning and model for motivation. He stated that basic motivators are vital to meeting a person's needs, because they describe a pattern of how an individual may behave. This theory of motivation is dominated by three types of motivational needs: need for achievement, need for affiliation and the need for power. McClelland [11] asserts that people have either one of these needs or a combination of these three needs which motivate them toward a certain pattern of behavior.

- Need for achievement: This is the need to accomplish goals, stand out and be successful. A person with this type of need will set goals that are challenging but rational. The goals have to be demanding so that the person can feel a sense of achievement. However the goals also have to be specific and realistic as the person believes that when a goal is unrealistic, its achievement is dependent on possibility rather than personal skill or contribution. This type of person prefers to work alone or with other high achievers.

- Need for affiliation: This is the need for friendly relationships and human interaction. There is a need to feel liked and received by others especially by co-workers and employers.

- Need for power: This is the need to lead others and make an impact. This need can be exhibited in two ways. The first is the need for personal power that may be viewed as undesirable as the person simply needs to feel that they have power over others. The second type is the need for institutional power. People with the need for institutional power want to direct the efforts of their team, to further the objectives of their organization.
Atkinson and Feather [12] determined a person’s achievement orientation toward a specific task into two separate motives: to achieve success, and to avoid failure. The motive to achieve success is determined by three things: the need to succeed or need for achievement; the person’s estimate of the possibility of success in performing a particular task; and the incentive for success that is, how much the person wants to succeed in that particular task. Similarly, there are three considerations that also determine the motive to avoid failure; these are: the need to avoid failure which is also similar to the need to achieve success and it varies among individuals; the person’s estimate of the uncertainty surrounding failure at a task; the real value of failure at that particular task, i.e., how unpleasant it would be to fail.

Atkinson and Birch [13] asserted that the relative desire or motives to succeed and to avoid failure determines the level of task difficulty people will prefer. However, Alderfer [14] in his study extended Maslow’s hierarchy of needs and categorized the hierarchy into his ERG theory (Existence, Relatedness and Growth). Moreover, he categorized the lower order needs (Physiological and Safety) into the Existence category. Furthermore, he fitted Maslow’s interpersonal love and esteem needs into the Relatedness category. However, the Growth category contained the self-actualization and self-esteem needs. He developed a regression theory that goes along with the ERG theory stating that individuals redoubles the efforts invested in a lower category need especially when needs in a higher category are not met. He gave an instance in a situation where self-actualization or self-esteem is not achieved; individuals tend to invest more of their effort in a related category with the hopes of achieving the higher need. Maslow’s hierarchy of needs [15] is a theory in psychology, proposed by Abraham Maslow in his 1943 paper titled “A Theory of Human Motivation”. Maslow subsequently extended the idea to include his observations of humans’ innate curiosity. His theories parallel many other theories of human developmental psychology, all of which focus on describing the stages of growth in humans [16].

Ahmad [17] in his own perception explains the theory of expected value and to buttress this theory, he identifies two key requirements for Individual’s motivation of achievement which are predicting a successful mission and its collection value. In his own view, he posits that these requirements will help the individual to build on his self-efficiency skill in order to achieve a goal and however seek to deal with more complex problems encountered with previously or before now. Moreover, reaching a goal doesn’t give an individual the most satisfaction but rather with the awareness of his effort in achieving the set goal which gives him a positive sense of satisfaction and confidence with the acceptance of the expected result which linked to his effort contributed [18]. Thus, it is said that and individual gets maximum satisfaction when he realizes that his efforts brought him the results expected.

Firm’s performance can be measured by comparing actual results with those estimated for each program and strategy, in addition to identify positive and negative deviations. Standards set by an organization should reflect the goals of that organization, and this goes a long way in determining how it is being directed to enable it to take appropriate corrective action standards. Even though organizations differ, there exist common ones that cover similar areas of performance such as standards of profitability, market share, productivity, human resource development, leadership and employees’ behavior, social responsibility, the balance between the long and short-run goals.

Angari [5] defined performance as “the end result of an activity”. At one level, it may be as simple and mundane as this definition, although at another level the notion of a general measure of performance is both intriguing yet continually disappointing. Adlouni [19] asserts that customer satisfaction, employees’ satisfaction, market share, gains and results, overall performance and leadership support firm’s in his own view are all performance indicators among wide range of indicators.

Empirical findings

Bailey et al. [20] examined the impact of piece-rate and goal-contingent incentives, as against fixed-pay, on initial performance and subsequent improvement rate in an assembly task. They concluded that both overall and initial performance, but not improvement rate, are higher in the incentive-pay groups. It was discovered in their study that lack of differential improvement rates may be explained by two factors: subjects and effort allocation, since improving initial performance may be easier than improving subsequent performance, and the nature of these typical incentive-pay plans, which do not reward improvement directly.

Al-Harthi [3] in his paper studied the relationship between financial and moral incentives to raise the efficiency of employees in the Department of Civil Defense in Riyadh, Saudi Arabia. He discovered that financial and moral incentives are insufficient and may result to decrease in the level of performance of employees. Promotion is seen as the most important incentives affecting the efficiency of the employees' performance, while financial incentives ranked first in importance to raise the efficiency of the performance of employees, followed by moral incentives. A field study on incentive and its role in raising the level of employee performance in Riyadh, Saudi Arabia was conducted by [5], the results indicate that there was no satisfaction for financial and moral incentives, the financial incentives ranked first among other incentives. The most important problem faced by the employees is the lack of a clearing dependent and promotion incentive rules in the civil service.

Another study by Al-Aydi [21] investigates the effect of incentives on the level of performance in the textile industry in Iraq. He found out that there is a weak relationship between the incentives system and the level of performance and between the wages system and the level of performance. Also there is a strong relationship between rewards and the level of financial performance, appropriate promotion system and level of performance. Alwabel [22] investigates the role of financial and moral incentives in raising the performance level of employees from the viewpoint of public security officers participating in the Hajj season. The results showed that there were no incentives standards provided to the officers but the degree of their satisfaction is very high and incentives play a major role in raising the level of performance.

Shawn et al. [23] in their study of individual incentives and team performance: lessons from a game where students were organized into small groups this was developed to assist a discussion on the basic principles of effective reward system design. However, one of the interesting things about the game is that incentive schemes are manipulated so that one player within the group strives for an individual incentive, while the rest of the team play for a group rewards. Through activity, students learn what happens when there is a conflict between individual interest and team interest incentives. Moreover, this activity exposes an excellent opportunity on how to discuss group dynamics, communication and especially the importance of maintaining a systemic view of organizational performance.

Abang A et al. [24] examined the human resource practices and the impact of incentives on manufacturing companies in Malaysia
and it was found that performance of firm has significant implications for employees and organizations. The results however indicated that there are two components of human resource practices namely, training and information technology which directly impacts how and organization performs. Also it their study it was also found that how incentive is being given in an organization is positively related to how well the organization has performed but the relationship between both HR practices and organizational performance was not established.

Koonmee [25] also discusses Development of Organizational Justice in Incentive Allocation of the Thai Public Sector by comparing the roles of distributive and procedural justice on national personnel’s attitudinal outcomes (incentive satisfaction and job performance). It was found that incentive satisfaction and job performance in 2008 is predicted by distributive justice and procedural justice than in 2006.

Schmidt [26] explained that the efforts of economists to emphasize the significance of incentives as determinants of organizational performance was successful to some extent, this may have left the mistaken impression that getting the incentives right is the only task requiring the attention of senior executives when designing corporate organizations. He identified the incentive-intensive companies envisioned by economists as mercenary organizations, or companies whose unique feature is near-complete dependence on financial rewards and controls. However he cited the difficulties of devising an effective incentive system that cannot be gamed which he calls the organizational equivalent of an anti-gravity machine, the paper envisioned by economists as mercenary organizations, or companies where the unique feature is near-complete dependence on financial rewards and controls. Based on this condition, the study aims and objectives, the following hypotheses can be formulated:

\[ H_0: \text{There is no significant relationship between financial and organizational performance in the Nigerian universities.} \]

\[ H_{10}: \text{There is no significant relationship between moral incentives and organizational performance in the Nigerian universities.} \]

**Methodology**

Six universities out of the over 50 public universities in Nigeria were used for the study. The sample consists of 250 staffs of various universities, 218 questionnaires were returned, and (32) were excluded due to incomplete information and errors while answering the questions. A five point likert scale was used which ranges from strongly disagree (1) to strongly agree (5). The study instrument was based on the theoretical literature of the incentives concept and organizational performance in addition to a number of questionnaires used in previous studies.

The first part of the questionnaire devoted to gather personal and professional data from Nigerian universities employees that include social status, qualifications and experience. The second part of the questionnaire was devoted to measure the independent and dependent variables. The questionnaire consists of 18 questions of which question (1-6) relates to information about the respondent. Question (7-14) measures the independent variable (incentives). (7-10) measure the financial incentives and paragraphs (11-14) measure the moral incentives while question (15-18) measures the dependent variable (organizational performance).

Statistical packages for social sciences (SPSS) program version 17.0 was used to for descriptive analysis of the study questions and test hypotheses as follows: - Frequencies and percentages to identify the characteristics of the study sample.

**Finding and Discussion**

It was revealed that 45.9% of the respondents were male while 54.1% are female (Table 1); the largest age group was 35-44 with 50% falling into that bracket (Table 2). 58.3% of the respondent are married (Table 3) while 52.8% has a working experience of between 5-10 years (Table 4). HND/BSC holders have the largest percentage of education qualification attained with 35.8% (Table 5) while 41.7% are staffs in the administrative department (Table 6).

To answer the first question which states that “what is the level of incentives provided to employees in the Nigerian universities?” Results from (Tables 7 and 8) shows that the level of incentives provided to employees in Nigerian universities is acceptable where the mean score is (3.05) with standard deviation of (1.27). Financial incentives level ranked first with average mean score of (3.26), while that of moral incentives ranked second with an average mean score of (2.86). To answer the second question which states that “what is the level of organizational performance in the Nigerian universities?" Results emanated from

<table>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<tbody>
<tr>
<td>Male</td>
<td>100</td>
<td>45.9</td>
<td>45.9</td>
</tr>
<tr>
<td>Female</td>
<td>118</td>
<td>54.1</td>
<td>54.1</td>
</tr>
<tr>
<td>Total</td>
<td>218</td>
<td>100.0</td>
<td>100.0</td>
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Table 1: Sex.

<table>
<thead>
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<th>Percent</th>
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<tbody>
<tr>
<td>25-34</td>
<td>54</td>
<td>24.8</td>
<td>24.8</td>
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<tr>
<td>35-44</td>
<td>109</td>
<td>50.0</td>
<td>50.0</td>
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<tr>
<td>45 and above</td>
<td>55</td>
<td>25.2</td>
<td>25.2</td>
</tr>
<tr>
<td>Total</td>
<td>218</td>
<td>100.0</td>
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Table 2: Age.

<table>
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<th>Frequency</th>
<th>Percent</th>
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<tr>
<td>Single</td>
<td>54</td>
<td>24.8</td>
<td>24.8</td>
</tr>
<tr>
<td>Married</td>
<td>127</td>
<td>58.3</td>
<td>58.3</td>
</tr>
<tr>
<td>Others</td>
<td>37</td>
<td>17.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Total</td>
<td>218</td>
<td>100.0</td>
<td>100.0</td>
</tr>
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Table 3: Marital status.

Table 9 shows that the level of organizational performance in the Nigerian universities is high with mean of (4.12).

Hypotheses testing

The first hypothesis suggests that there is no significant relationship between financial incentive and organizational performance in the Nigerian universities; the relationship was investigated using Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. There was a negative correlation between the two variables, $r = -0.079$, $n = 218$, $p < 0.05$ (Table 10). This can be interpreted to mean that financial incentive doesn’t influence organizational performance.

Also the second hypothesis states that there is no significant relationship between moral incentives and organizational performance in the Nigerian universities. This was also investigated using Pearson product-moment correlation coefficient (Table 5). There was also a weak, negative correlation between the two variables, $r = -0.005$, $n = 218$, $p < 0.05$ (Table 11). This implies that both moral and financial incentive do not affect organization performance.

Conclusion and Recommendation

The study reached the following conclusions:

- The level of incentives provided to employees in the Nigerian universities is adequate. Financial incentives ranked in 1st place while moral incentives ranked in the 2nd place.
There is a high level of organizational performance in the Nigerian universities.

There is a strong negative relationship between financial incentives and organizational performance in the Nigerian universities.

There was also a weak negative relationship between moral incentives and organizational performance in Nigerian universities.

This study is subject to a limitation and might be explored in future research. Five universities were selected. Results could vary from one study to another one that depends on the incentive approach adopted by these universities. Despite this limitation, this study has provided several important insights into issues relating to incentives. Hopefully, this study will encourage other researchers to conduct further studies in this field such as:

- The impact of financial and moral incentives on raising the level of employees’ performance in the Nigerian universities.
- The relation between motivation achievement and the level of meeting the employees’ basic needs in private educational institutions.
- A comparative study between the level of financial and moral incentives provided to employees in public and private Nigerian universities.
- Evaluating the performance of employees in the Nigerian universities from the viewpoint of students.

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