

# Effectiveness of Reward System in the Banking Industry in the Kingdom of Bahrain

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## Abstract

The purpose of this study was to assess the effectiveness of the reward system in the banking industry in the Kingdom of Bahrain. It compared the status and level of effectiveness of reward system in the banking industry in terms of compensation, recognition, appreciation, and benefits. Mean was applied for descriptive analysis, whereas one-way analysis of variance (ANOVA) was utilized to establish if significant difference existed between the status and level of effectiveness of reward system in the banking industry in terms of compensation, recognition, appreciation, and benefits. The study disclosed that in terms of recognition and appreciation of the reward system in the banking industry of the Kingdom of Bahrain was *Effective*, while in terms of compensation and benefits was *Moderately Effective*. Likewise the study revealed that there is a significant difference between the status and the level of effectiveness of the reward system in the banking industry in the Kingdom of Bahrain as perceived by the respondent-bank employees.

**Keywords:** reward system, compensation, recognition, appreciation, benefits

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## 1.0 Introduction

One of the most critical human resource functions, which have always been emphasized on in many organizations, is coming up with a proper reward system. This is because in the modern business world, there are high levels of competition among organizations in the same industry and no organization would want to lose its employees to its competitors due to insufficient reward system. Focus has, therefore, been made to this HRM function so as to bring the best out of the employees' performance and loyalty. (Schultz W, 2015)

The rationale of the study is that most organizations fail to achieve their desired firm performance is the lack of a proper reward system. This is because the reward system employed is the key determinant of how employees will perform. Poor employee performance automatically leads to poor organizational performance.

This research seeks to identify how effective the reward system can be in the general banking industry in the Kingdom of Bahrain. This study is expected to bring out a clear understanding and the importance of the reward system in the banking industry.

## 2.0 Literature Review

Reward administration, according to Murlis, et. al (2004), refers to the detailing and usage of techniques and strategies that expect to reward individuals decently, fairly and reliably as per their incentive to the association. Reward administration comprises of breaking down and controlling representative compensation, pay and the majority of alternate advantages for the workers. Reward administration plans to make and proficiently work a reward structure for an association. Reward structure for the most part comprises of pay approach and practices, compensation and finance organization, add up to reward, the lowest pay permitted by law, official pay and group reward.

Mindtools.com expresses that representatives will just perform proficiently if their administrators are rousing them adequately. Supervisors duty in this way incorporate 'consolidating great motivational practices with significant work, the defining of execution objectives, and utilization of a powerful reward framework... to build up the sort of air and culture that is expected to excel' (www.mindtools.com (2005).

Shanks (2007) however contends that while rewards may fill in as impetuses and the individuals who give rewards may try to utilize them as sparks; the genuine inspiration to act originates from inside the person'. This is on account that supervisors can just impact workers with a mix of rewards to persuade them to perform yet can't drive them. The onus in this manner lies on the person to perform or act. To this impact, it is fundamental that with the issue of administration and inspiration, the two directors and representatives assume a basic part during the time spent inspiration. Powerful inspiration can in this manner just be accomplished when the two administrators and representatives act in association.

Malhotra (2007) characterizes rewards as 'all types of monetary return, unmistakable administrations and advantages a worker gets as a major aspect of a business relationship'. It is without question that each worker expects some level of reward subsequent to conveying a capacity or undertaking. Workers anticipate that

businesses will convey or execute assigned obligations agreeable to them while representatives likewise anticipate that their bosses will guarantee them of sufficient wages and compensations (rewards) after they obediently convey what is anticipated from them.

On the study of Taylor (2010), cash is a definitive motivator. This thought of cash being a definitive or sole persuading power was first proposed by Taylor. With such misguided judgment, certain directors either center or have a tendency to have an inclination for financial rewards. However Shanks noticed that financial 'pay spurs just to a point; that is, when pay isn't sufficiently high or is thought to be biased, it is a de-helper. Interestingly, when it is too high, it additionally is by all accounts a de-help and results in singular execution being tempered to secure the higher remuneration level'.

### 3.0 Methodology

This is a descriptive study using survey questionnaire in which validity measures were established. To test the hypothesis, a survey on employees of banks in the Kingdom of Bahrain was conducted in 2018 in which the respondents were classified as (a) bank officers and (b) bank employees.

The study used average mean for descriptive analysis to determine the effectiveness of reward system in the banking industry. In order to determine if there is significant difference existed between the status and level of effectiveness of reward system in the Banking Industry in terms of compensation, recognition, appreciation, and benefits, one-way analysis of variance (ANOVA) was utilized.

### 4.0 Results and Discussions

The first objective of this study was to determine the status of the reward system in banking industry in the Kingdom of Bahrain in terms of four factors such as compensation, recognition, appreciation, and benefits.

**Table 1. Status of reward system in banking industry in the Kingdom of Bahrain**

Status of reward system in banking industry in terms of:	Mean	Description
Compensation	3.26	Undecided
Recognition	3.93	Agree
Appreciation	3.76	Agree
Benefits	4.025	Agree
<b>Average Mean</b>	<b>3.74</b>	<b>Agree</b>

It can be noticed on Table 1 that the composite average mean for the status of reward system in the banking industry in the Kingdom of Bahrain is 3.74 (*Agree*). The breakdown shows that the average mean for the bank employees is 3.22 (*Undecided*), while for the bank officers is 4.29 (*Agree*).

**Table 2: Effectiveness of reward system in banking industry in the Kingdom of Bahrain**

Effectiveness of reward system in banking industry in terms of:	Mean	Description
Compensation	3.18	Moderately effective
Recognition	3.40	Effective
Appreciation	3.40	Effective
Benefits	2.95	Moderately effective
<b>Average Mean</b>	<b>3.23</b>	<b>Moderately effective</b>

On the second objective of this study which was to determine the level of effectiveness of reward system in the banking industry in terms of compensation, recognition, appreciation, and benefits, it can be noticed on Table 2 that the composite average mean is 3.23 (*Moderately effective*). The average mean for the bank employees is 3.90 (*Effective*), while for the bank officers is 2.48 (*Moderately effective*).

### 5.0 Conclusion and Recommendation

Reward processes are based on reward philosophies and strategies and contain arrangements in the form of policies, guiding principles, practices, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of reward.

Reward systems are commonly believed to play an important part of management worth consideration, in manufacturing as well as service-focused organizations. Therefore, the design of a fair and effective reward system may be a more relevant discussion than its mere existence.

Reward systems often highlight the lack of congruence between how individuals perform and the overall organizational performance. Rewards actually risk leading to lower levels of motivation among employees,

followed by lower performance. Thus, the Human Resource Department is recommended to identify, develop, and implement a recognition program. The HR needs to identify recognition program objectives to provide opportunities for the employee to be recognized and rewarded. They need to identify award themes for the award program that complement the employees. The committee will need to identify funding, determining award eligibility, award frequency and award selection processes.

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