

# Nonfinancial Compensation and Employee Motivation in a Food and Beverage Manufacturing Company

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## ABSTRACT

A basic concern of human resource managers in work organisations is to acquire, maintain, and retain a motivated workforce. Nonfinancial compensation is among the variables that have the potential to achieve this goal. Despite its application in organisations, studies that indicate how nonfinancial compensation impacts on the motivation of employees of food and beverages manufacturing companies in Nigeria were scanty.

A sample size of 246 represented the number of obtained responses from a population of 460 employees of a food and beverage manufacturing company in Oyo State, Nigeria. Questionnaire, based on a four-point Likert scale, having values that ranged from strongly disagree, 1, to strongly agree, 4, was employed for data collection. Descriptive and inferential statistics were employed for data analysis. Descriptive statistics produced results in means and standard deviations for statements that measured components of nonfinancial compensation as well as for statements that measured employee motivation. The hypotheses of the study were tested and the effects of nonfinancial compensation on employee motivation were determined based on the results of multiple regression analysis.

The findings indicate significant positive effect ( $\beta_1 = .482$ ,  $t = 4.565$ ,  $p < .05$ ) of recognition on employee motivation. Career development opportunities had insignificant positive effect ( $\beta_2 = .124$ ,  $t = 1.192$ ,  $p > .05$ ) on motivation while promotion had significant positive effect ( $\beta_3 = .374$ ,  $t = 4.435$ ,  $p < .05$ ) on motivation.

The conclusion of the study was that nonfinancial compensation was a means of enhancing employee motivation in the studied company. The independent variables had positive effects on employee motivation. Although, recognition and promotion made appreciable contribution to employee motivation, there was need for the company to put in more effort on activities that would provide further boost on the effect of career development opportunities on motivation.

**Keywords:** Career development opportunities, employee motivation, nonfinancial compensation, promotion, recognition.

## INTRODUCTION

Motivation is a significant factor in providing a boost to performance in work organisations by energising individuals and groups to increase their efforts in the process of working to attain set goals. For this reason, it is important for human resource managers to observe, understand, and apply the relevant factors that motivate employees. Such practices have the potential to increase organisational performance, increase the rate of employee retention, and make the organisation more competitive. Ensuring that an organisation maintains a motivated workforce is essential because employee motivation is a means of achieving higher levels of efficiency and effectiveness, increased employee commitment, creativity and innovation, and efficient use of resources (Varma, 2017).

There are a number of factors that contribute to employee motivation, and by extension, to performance in work organisations. These factors, in relation to compensation, can be financial or nonfinancial. Employees receive monetary compensation in the form of base pay, bonuses, commission, and allowances such as annual leave, housing, and car refurbishing. They also benefit from nonfinancial compensation that includes recognition,

career development opportunities, and promotion. The aim is to enhance employee motivation as a means of attaining organisational goals. The literature contains evidence of studies that indicate the effects of financial compensation on employee motivation (Nkomoki & Chomba, 2024 ; Yousaf et al., 2014) as well as the effects of non-financial compensation on motivation (Altassan, 2024; Ijaz & Khan 2013; Nkomoki & Chomba, 2024; Perewari & Stanfast, 2023; Yousaf et al., 2014). However, how non-financial compensation contributes to employee motivation in manufacturing companies seems to be underexplored. This prompted the present study in order to contribute to the literature of compensation and employee motivation.

**Objectives of the Study**

The main objective of the study was to determine the effect of nonfinancial compensation on employee motivation while the specific objectives were to assess the individual effects of recognition, career development opportunities, and promotion on employee motivation.

**Hypotheses of the Study**

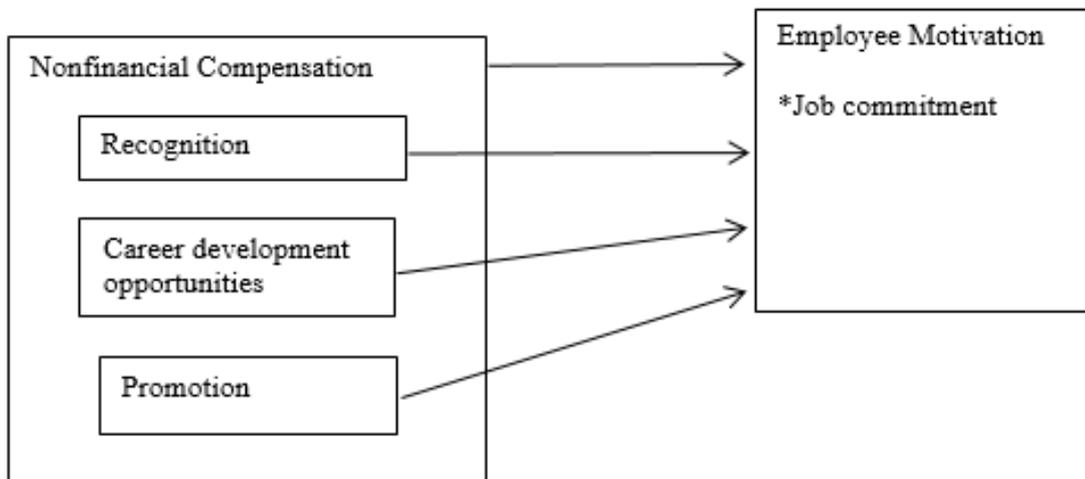
H<sub>01</sub>: Nonfinancial compensation has no significant effect on employee motivation.

H<sub>02</sub>: Recognition has no significant effect on employee motivation.

H<sub>03</sub>: Career development opportunities have no significant effect on employee motivation.

H<sub>04</sub>: Promotion has no significant effect on employee motivation.

**Figure 1. Conceptual Framework: Nonfinancial Compensation and Employee Motivation**



Source: Author, 2026

**Model of the Study**

$$EM = \alpha + \beta_1R + \beta_2C + \beta_3P + \epsilon$$

Where: EM = Employee Motivation

$\alpha$  = EM intercept

R = Recognition

C = Career development opportunities

P = Promotion

$\varepsilon$  = Standard error of the estimate

$\beta_1 - \beta_3$  = Coefficients

## LITERATURE REVIEW

Conceptual, theoretical, and empirical literature were reviewed. The concepts reviewed relate to the dependent variable of the study, employee motivation, and the independent variables, nonfinancial compensation, and its components, recognition, career development opportunities, and promotion. The two-factor theory and empirical literature relating nonfinancial compensation and employee motivation were also reviewed.

### Conceptual Review

#### Employee Motivation

Motivation is a managerial activity that spurs workers into increasing their efforts in the pursuit of set goals. It is a means of inducing loyalty from people in work organisations and fostering their retention. Motivation occupies an important position in the whole of management process because of the potential dysfunctional effects of a lack of it. Varma (2017) stated that lack of motivation gives rise to migration of industrial workers; a situation that indicates the need for human resource strategy that aims not only at attracting and retaining productive employees but also at tackling the negative effects of dissatisfaction and lack of motivation such as absenteeism, low performance, and less orientation towards organisational objectives.

#### Non-Financial Compensation

Nonfinancial compensation refers to motivational factors such as employee recognition, career development opportunities made available to employees and promotion, with the aim of increasing their relevance in the workplace and enhancing their performance. Bulama (2019) indicated that nonfinancial compensation consists of benefits from employers excluding monetary benefits that attract and motivate employees and also enhance their retention. They are administered by the human resource department of an organisation to complement salaries and other financial compensation.

Employee recognition implies appreciation by the management of an organisation to honour employees due to a variety of reasons including length of service, loyalty, and goal attainment. It is an expression of gratitude to individuals or teams in an organisation (Saunderson, 2016) for identifying with the values of the organisation and their contribution to its goals and mission (Nayak et al., 2020). Career development opportunities refer to activities that enable employees to acquire more knowledge, update their skills, and enhance their creativity. They include training and development and sponsorship for higher education. Promotion is an activity that elevates an employee to a higher position in an organisation. It is used to recognise the contribution of employees to the progress of an organisation by elevating them in the organisation's hierarchy.

### Theoretical Review

#### Two-Factor Theory

The two-factor theory, also known as motivation-hygiene theory, was proposed by Herzberg et al. (1959). The theory proposes factors that bring about motivation in a workplace and factors that do not cause motivation when they are present. The factors that bring about motivation are called motivators or intrinsic factors while factors that do not cause motivation are referred to as hygiene factors or extrinsic factors. The motivators include achievement, recognition, the work itself, responsibility, advancement, and the possibility for growth while the hygiene factors include company policies and administration, relationship with supervisors, interpersonal relations, working conditions, and salary (Herzberg, 2003). The presence or adequacy of motivators produces job satisfaction while the presence or adequacy of hygiene factors removes job dissatisfaction but does not provide job satisfaction. The position of the theory is that job satisfaction and job dissatisfaction are not measured on the same continuum. Job satisfaction and no job satisfaction are extremes of a continuum while job dissatisfaction and no job dissatisfaction represent extremes of a different continuum.

The two-factor theory gives an indication of the role of job enrichment in worker motivation (Galanakis & Peramatzis, 2022). The theory portrays the importance of job enrichment in job design by identifying motivation factors that are associated with growth needs in a workplace. Despite creating an awareness of factors associated with job enrichment in the workplace, the two-factor theory has been criticised on the basis of the methodology adopted for the study. The engineers, accountants, and scientists that were interviewed were asked to report exceptionally good or exceptionally bad job experiences. The methodology was defective because the responses invariably were prone to being subjective and bias (Galanakis & Peramatzis, 2022). The findings of studies by other critics of the theory indicated that hygiene factors affected job satisfaction implying no relevance of the dichotomy between motivation factors and hygiene factors; and, therefore, no relevance for measuring job satisfaction and job dissatisfaction on separate continua (Hines 1973).

However, the two-factor theory is relevant to this study because the independent variables of this study - recognition, career development opportunities, and promotion, are factors that are associated with workers' desire for growth on the job.

## **Empirical Review**

### **Nonfinancial Compensation and Employee Motivation**

A number of studies (Altassan, 2024; Ijaz & Khan, 2013; Perewari & Stanfast, 2023; Yousaf et al., 2014) have investigated the influence of nonfinancial compensation on employee motivation. Altassan (2024) studied how nonfinancial compensation affected the motivation of 365 employees of small and medium scale enterprises in Saudi Arabia. Data for the study were analysed based on descriptive statistics that involved frequency counts, means, and standard deviations as well as inferential statistics that involved regression analysis. The results indicate that a good work environment, recognition, opportunities for personal and professional development, and career growth were significant factors in employee motivation. It was also stated that nonfinancial compensation had the potential to make workers more engaged in the work they do.

Ijaz and Khan (2013) conducted a study to determine the effect of nonfinancial compensation on the motivation of 80 public-sector employees of Pakistan. The study employed descriptive statistics for data analysis. The results indicate that the studied employees valued nonfinancial compensation more than financial compensation. Nonfinancial compensation was a factor in achieving increase in employee motivation. The conclusion of the study was that 82.5 percent of the employees were motivated by nonfinancial compensation.

Another study by Perewari and Stanfast (2023) explored how nonfinancial compensation influenced the motivation of employees of tertiary institutions in Bayelsa State, Nigeria. It was shown by the results of the study that the motivation of the employees was significantly influenced by nonfinancial compensation. The recommendation of the study was that the management of the tertiary institutions should place more emphasis on using nonfinancial compensation to enhance employee motivation.

The study by Yousaf et al. (2014) investigated how financial and nonfinancial affected the motivation of employees of Astro films (PVT) of Pakistan. The researchers conducted a semi-structured interview in order to obtain responses from the employees regarding the motivational impact of both types of compensation. The findings indicate that financial and nonfinancial compensation contributed to employee motivation. With respect to nonfinancial compensation, it was reported that employees expected to receive recognition in appreciation of their efforts and contributions.

## **METHODOLOGY**

This study was conducted based on a survey research design. The questionnaire was used in collecting data. The statements on the questionnaire measured employee motivation as well as nonfinancial compensation on a four-point Likert scale having the following representations: strongly disagree = 1, disagree = 2, agree = 3, and strongly agree = 4. The population of study consisted of 460 employees of a food and beverage manufacturing company in Oyo State, Nigeria. A sample size of 246 represented the number of obtained responses. It was adequate for the study based on 5 percent level of significance. Israel (1992) indicated various sample sizes for

various populations and error margins such that a sample size of 240 was indicated for a population of 600 and 5 percent error margin. Data analysis was carried out based on descriptive and inferential statistics. Descriptive statistics produced means and standard deviations of statements relating to nonfinancial compensation and employee motivation. Inferential statistics based on regression analysis was the basis for determining the effects of nonfinancial compensation on employee motivation.

## RESULTS AND DISCUSSION

### Results of Descriptive Statistics

The results of descriptive statistics are shown in Tables 1 and 2.

**Table 1. Nonfinancial Compensation Descriptive Statistics**

<b>Recognition</b>	N	Minimum	Maximum	Mean	Std. Deviation
Workers receive commendation for effort and performance in this company	246	1.00	4.00	2.5407	1.00426
There is a culture of employee recognition in this company	246	1.00	4.00	2.6260	.98890
This company shows prompt appreciation to high-performing workers	246	1.00	4.00	2.6667	1.04328
Workers appreciate written memos, plaques, or certificates that give recognition to high performers	246	1.00	4.00	2.6423	1.00716
Employees value getting informed about the company’s recognition culture upon assumption of duty	246	1.00	4.00	2.8496	.99680
<b>Career Development Opportunities</b>	N	Minimum	Maximum	Mean	Std. Deviation
Employees are promptly exposed to training and development programmes	246	1.00	4.00	2.4146	.93832
There are opportunities for being trained and developed in this company	246	1.00	4.00	2.6829	1.03267
Workers gain prompt sponsorship to acquire tertiary education	246	1.00	4.00	2.5407	1.02039
There are opportunities for workers to improve their skill in this company	246	1.00	4.00	2.7520	1.02195
This company implements transparent career development programmes	246	1.00	4.00	2.6301	1.02487
<b>Promotion</b>					
Company employees are given higher responsibilities after gaining promotion	246	1.00	4.00	2.7073	.99576
Goal attainment is a factor in determining eligibility for promotion	246	1.00	4.00	2.6463	1.06566
Workers are promoted as soon as they are due for promotion	246	1.00	4.00	2.5854	1.01360
Employee promotion is based on merit	246	1.00	4.00	2.6870	1.05926

Accomplishing assigned tasks efficiently is a factor in receiving promotion	246	1.00	4.00	2.6667	.99523
Valid N (listwise)	246				

Source: Author, 2026

Table 1 shows descriptive statistics of statements relating to nonfinancial compensation. Higher mean values indicate higher presence of the constructs measured by the statements. Opportunities for workers to improve their skills indicated highest mean value of 2.7520 while prompt exposure of workers to training and development programmes had lowest mean value of 2.4146.

**Table 2. Employee Motivation Descriptive Statistics**

Job Commitment	N	Minimum	Maximum	Mean	Std. Deviation
Receiving commendation for effort and performance in this company increases job commitment	246	1.00	4.00	2.7683	1.00162
A culture of employee recognition in this company increases job commitment	246	1.00	4.00	2.5772	.98568
Showing prompt appreciation to high-performing workers contributes to higher job commitment	246	1.00	4.00	2.7886	1.01621
Giving workers recognition based on written memo, plaques, or certificates contributes to higher job commitment	246	1.00	4.00	2.6301	1.04068
Giving employees information about the company’s recognition culture upon assumption of duty increases job commitment	246	1.00	4.00	2.7276	1.03165
Prompt exposure of employees of this company to training and development programmes increases job commitment	246	1.00	4.00	2.6829	1.02473
Opportunities for being trained and developed in this company increase my job commitment	246	1.00	4.00	2.7642	.98628
Company sponsorship of workers to acquire tertiary education increases job commitment	246	1.00	4.00	2.8293	.98318
Opportunities for workers to improve their skill in this company increase job commitment	246	1.00	4.00	2.6992	1.01366
The implementation of transparent career development programmes by this company increases job commitment	246	1.00	4.00	2.8577	.99390
Higher responsibilities after gaining promotion increases my job commitment	246	1.00	4.00	2.7683	1.00162
Promotion based on attaining work goals increases my job commitment	246	1.00	4.00	2.8577	.99800
Gaining promotion as soon as a worker is due for promotion increases job commitment	246	1.00	4.00	2.8577	1.01019
Merit-based promotion in this company increases job commitment	246	1.00	4.00	2.8049	.99516

Gaining promotion due to efficient accomplishment of assigned tasks increases job commitment	246	1.00	4.00	2.7642	1.00270
Valid N (listwise)	246				

Source: Author, 2026

Table 2 contains descriptive statistics of statements relating to employee motivation. Higher mean values indicate higher contribution to employee motivation. The implementation of transparent career development programmes by the company, promotion based on attaining work goals, and gaining promotion as soon as a worker was due for it made highest contribution to motivation, each with mean value of 2.8577. However, the implementation of transparent career development programmes by the company exhibited the lowest variability, .9939. Giving workers recognition based on written memo, plaques, or certificates had the smallest mean value of 2.6301.

**Results of Inferential Statistics**

**Table 3. Nonfinancial Compensation and Employee Motivation ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	230.158	3	76.719	2384.270	.000 <sup>b</sup>
	Residual	7.787	242	.032		
	Total	237.945	245			
a. Dependent Variable: Employee Motivation						
b. Predictors: (Constant), Promotion, Career Development Opportunities, Recognition						

Source: Author, 2026

Table 3 indicates a rejection of null hypothesis 1 [F (3,242) d f = 2384.270, p < .05)]. It implies that nonfinancial compensation has a significant effect on employee motivation.

**Table 4. Standardized and Unstandardized Coefficients<sup>a</sup> of Independent Variables**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.160	.034		4.699	.000
	Recognition	.482	.106	.478	4.565	.000
	Career Development Opportunities	.124	.104	.124	1.192	.234
	Promotion	.374	.084	.384	4.435	.000
a. Dependent Variable: Employee Motivation						

Source: Author, 2026

Table 4 indicates that recognition has a significant positive effect ( $\beta_1 = .482, t = 4.565, p < .05$ ) on motivation. It implies a rejection of null hypothesis 1. Career development opportunities has insignificant positive effect ( $\beta_2 = .124, t = 1.192, p > .05$ ) on motivation. It implies that null hypothesis 2 is not rejected. Promotion has a significant positive effect ( $\beta_3 = .374, t = 4.435, p < .05$ ) on motivation. It means that null hypothesis 3 is rejected.

**Table 5. Model Summary of Nonfinancial Compensation and Employee Motivation**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984 <sup>a</sup>	.967	.967	.17938
a. Predictors: (Constant), Promotion, Career Development, Recognition				

**Source:** Author, 2026

Table 5 indicates .967 value for the multiple coefficient of determination. It implies that 96.7 percent variation in employee motivation is explained by variations in nonfinancial compensation.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

The broad objective of this study was to investigate the effect of nonfinancial compensation on employee motivation while the specific objectives were to assess the individual effects of recognition, career development opportunities, and promotion on motivation. The results of the study indicate significant positive effect of nonfinancial compensation on employee motivation implying that nonfinancial compensation was a means of enhancing employee motivation in the studied company. Recognition and promotion made appreciable contributions to employee motivation. However, there was an insignificant positive effect of career development opportunities on motivation; it indicated a need for more effort on activities that would further boost the effect of career development opportunities on motivation.

A number of previous studies reported similar findings compared to the findings of this study. Altassan (2024) studied employees of small and medium scale enterprises and reported that recognition was a significant factor that predicted employee motivation. A study by Ijaz and Khan (2013) found that nonfinancial compensation produced significant positive effect on the motivation of public-sector employees. The outcome of another study by Perewari and Stanfast (2023) indicate that nonfinancial compensation had a significant influence on the motivation of employees of tertiary institutions. The results of this study establish that nonfinancial compensation made significant contribution to achieving increases in employee motivation especially in relation to employee recognition and promotion.

### Recommendations

The following recommendations were made based on the outcome the study:

- (1) It is worthwhile for the management of the studied company to introduce measures that would give more meaning to the career development efforts of the company. Given the high-level competition in the food and beverages industry, some specific measures would include promptly exposing the employees of the company to training and development programmes in order to enhance their knowledge and skills as a means of increasing the relevance of the company in the marketplace.
- (2) The company should sustain its effort on employee recognition as a means of sustaining employee job commitment.
- (3) It is imperative that the company associate employee promotion with higher responsibilities in order to make successful job performance more motivational.

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