The Impact of Monetary and Non-Monetary Incentives on Employee Motivation and Job Satisfaction: Insights from the Zambian Financial Service Industry

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ABSTRACT

This study investigates the impact of both monetary and non-monetary incentives on employee motivation and job satisfaction across various organizational contexts. Utilizing a quantitative research design, the study analyses survey data from 436 employees within the Zambian financial service industry. The regression analysis considers factors such as age, gender, job level, and tenure, along with preferences for different types of incentives and their perceived effectiveness. The findings reveal that non-monetary incentives, particularly those related to recognition and work-life balance, significantly enhance job satisfaction. Conversely, monetary incentives, while important, have a less substantial effect on long-term motivation and job satisfaction. These insights highlight the necessity for financial institutions to adopt a balanced approach, integrating both monetary and non-monetary incentives to foster a motivated and satisfied workforce.

Keywords: Employee Motivation, Job Satisfaction, Monetary Incentives, Non-Monetary Incentives.

METHOD

Purpose

The purpose of this research is to investigate how employee motivation and job satisfaction are affected by both monetary and non-monetary incentives in various organisational contexts within the financial services industry. Through an analysis of how monetary compensation, non-monetary incentives, and total job satisfaction interact, this research seeks to shed light on the relationship between monetary and non-monetary incentives on employee motivation and job satisfaction.

Research design

The study utilises survey data analysis in the form of quantitative analysis as well as a regression analysis. This framework makes it possible to thoroughly investigate the connections between various incentives and employees' job satisfaction. In this study, overall job satisfaction was the dependent variable while the independent variables included age, gender, job level, and tenure with the current employer. In addition to that the models accounted for employees' preferences for different types of incentives, the importance placed on financial rewards, and the significance of non-monetary incentives such as recognition and work-life balance. Satisfaction with both monetary and non-monetary rewards provided by the organization, along with the perceived effectiveness of these incentives in enhancing motivation, were also examined. To investigate potential effects, interaction terms were included: one set for the interaction between the importance of financial rewards and satisfaction with monetary rewards, and another for the interaction between the importance of financial rewards and the perceived effectiveness of monetary incentives. Similarly, interactions between the importance of non-monetary incentives and both satisfaction with non-monetary rewards and their perceived effectiveness were analysed. The models were estimated using robust standard errors to address

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potential heteroscedasticity and autocorrelation in the data. Coefficients' statistical significance was assessed at p-values less than 0.1, 0.05, and 0.01. The regression results provided valuable insights into the relative importance and effectiveness of various incentives in influencing overall job satisfaction among employees.

Survey design and procedure

The sample contains 436 respondents who answered the survey questions and all belong to the financial service industry, which includes employees of banks, insurance companies, fintech startups and so on. The sample size needed for this research was determined using the Cochran's formula as follows;

$$n_0 = \frac{Z^2 \times p \times (1-p)}{E^2}$$

Where:

- n_0= sample size
- Z = Z-score (95% confidence level, Z= 1.96)
- P = estimated proportion of the population (estimated at 50%, *p*=0.5)
- E= margin of error (5%, E= 0.05)

$$n_0 = \frac{(1.96)^2 \times 0.5 \times (1-0.5)}{(0.05)^2}$$

$$n_0 = \frac{3.8416 \times 0.25}{0.0025}$$

$$n_0 = \frac{3.8416 \times 0.25}{0.0025}$$

$$n_0 = 384.16$$

The sample size needed for this research was approximately 384 respondents, the actual number of qualified respondents used in the survey was 436. To guarantee a representative sample reflective of various organisational contexts, the respondents' job-related characteristics (such as tenure and job level) and demographic data (such as age and gender) were recorded. Participants were given a structured survey to complete in order to gather data. The purpose of the study was to ascertain opinions about the significance and degree of satisfaction related to financial (bonuses, salary, etc.) and non-financial (accounting opportunities, recognition, etc.) incentives.

Data Source and model

This study uses a dataset which comes directly from a survey that was conducted. In this research, multiple regression analyses were conducted to understand the impact of monetary and non-monetary incentives on employee motivation and job satisfaction. The models include various independent variables such as age, gender, job level, tenure with the current employer, and the type of incentive preferred. The dependent variable across all models is overall job satisfaction. The following are the different regression models along with their respective equations used in this study:

1. **Overall impact;**

$$job_{sat_i} = \beta_{0_i} + \beta_1 age_i + \beta_2 gender_i + b_3 job_{lvl_i} + \beta_4 tenure_i + \beta_5 pref_{incentive_i} + \beta_6 imp_{financial_i} + \beta_7 imp_{nonmonetary_i} + \beta_8 sat_{monetary_i} + \beta_9 sat_{nonmonetary_i} + \beta_{10} eff_{monetary_i} + \beta_{11} eff_{nonmonetary_i} + \epsilon \quad (1)$$

This model is for identifying the relative importance and effectiveness of different types of incentives in predicting overall job satisfaction.

2. Monetary incentives;

$$job_{sat_i} = \beta_{0_i} + \beta_1 age_i + \beta_2 gender_i + b_3 job_{lvl_i} + \beta_4 tenure_i + \beta_5 pref_{incentive_i} + \beta_6 imp_{financial_i} + \beta_7 sat_{monetary_i} + \beta_8 eff_{monetary_i} + \epsilon \quad (2)$$

This model isolates the impact of monetary incentives and allows us to focus on how financial considerations and satisfaction with monetary rewards influence job satisfaction.

3. Non-monetary incentives;

$$job_{sat_i} = \beta_{0_i} + \beta_1 age_i + \beta_2 gender\_i + b_3 job_{lvl_i} + \beta_4 tenure_i + \beta_5 pref_{incentive_i} + \beta_6 imp_{financial_i} + \beta_7 imp_{nonmonetary_i} + \beta_8 sat_{nonmonetary_i} + \beta_9 eff_{nonmonetary_i} + \epsilon \quad (3)$$

The third model does the opposite of the second one and isolates non-monetary incentives.

4. Monetary incentives interaction;

$$job_{sat_i} = \beta_{0_i} + \beta_1 age_i + \beta_2 gender_i + b_3 job_{lvl_i} + \beta_4 tenure_i + \beta_5 pref_{incentive_i} + \beta_6 imp_{financial_i} + \beta_7 sat_{monetary_i} + \beta_8 eff_{monetary_i} + \beta_9 eff_{nonmonetary_i} + \beta_{10} imp\_fin_{satmonetary_i} + \beta 11 imp_{fin_{eff\_}} monetary_i + \epsilon \quad (4)$$

Where:

imp_fin_sat_monetary = imp_financial × sat_monetary
imp_fin_eff_monetary = imp_financial × eff_monetary

This interaction terms allow us to explore whether the importance placed on financial rewards modifies the relationship between satisfaction with monetary incentives and job satisfaction.

5. Non-monetary incentives interaction

$$job_{sat_i} = \beta_{0_i} + \beta_1 age_i + \beta_2 gender_i + b_3 job_{lvl_i} + \beta_4 tenure_i + \beta_5 pref_{incentive_i} + \beta_6 imp_{nonmonetary_i} + \beta_7 sat_{nonmonetary_i} + \beta_8 eff_{nonmonetary_i} + \beta_9 \mathrm{imp\_nonmon\_sat\_nonmonetary}_i + \beta_{10} \mathrm{imp\_nonmon\_eff\_nonmonetary}_i + \epsilon \quad (5)$$

Where:

imp_nonmon_sat_nonmonetary = imp_nonmonetary × sat_nonmonetary
imp_nonmon_eff_nonmonetary = imp_nonmonetary × eff_nonmonetary

LITERATURE REVIEW

Understanding monetary incentives

Monetary incentives, which include salaries, bonuses, and other financial rewards, have long been recognized as significant motivators for employees across various sectors. Research consistently shows that these financial rewards can lead to enhanced job satisfaction and improved performance. For instance, Shah et al. found that financial incentives significantly affect job satisfaction among teachers in higher education institutions, indicating that both financial and moral incentives play a crucial role in enhancing employee performance

Shah et al. (2021). This aligns with findings from Yu et al., who noted that monetary compensation is highly valued by community health workers (CHWs), directly motivating them to perform better in their roles (Yu et al., 2022). Moreover, the relationship between monetary incentives and job satisfaction is not only direct but also complex, as highlighted by Bae's study, which examined the effects of pay-for-performance across different sectors. The study revealed that while monetary incentives positively influence job satisfaction in the private sector, they may have adverse effects in public and nonprofit sectors, suggesting that the context in which these incentives are applied is critical (Bae, 2021). This complexity is further supported by the work of Havidz et al., who argue that incentives can significantly enhance employee responsibility and enthusiasm, ultimately improving work quality (Havidz et al., 2022). In the healthcare sector, monetary incentives have shown to alleviate occupational pressures and improve job satisfaction among medical staff. For example, during the COVID-19 pandemic, Yu et al. emphasized that monetary incentives not only improved the salary levels of medical staff but also enhanced patient satisfaction, demonstrating the broader implications of financial rewards in healthcare settings (Yu et al., 2022). Similarly, Zikusooka et al. found that remuneration significantly influences job satisfaction among healthcare workers in refugee health centers, indicating the importance of financial incentives in challenging work environments (Zikusooka et al., 2021). However, it is essential to recognize that the effectiveness of monetary incentives can vary based on individual perceptions and contextual factors. For instance, Linz and Semykina highlighted that earnings of peers can significantly affect an individual's job satisfaction, suggesting that relative compensation matters (Linz & Semykina, 2012). This perspective is crucial for organizations aiming to implement effective incentive structures, as it underscores the importance of not only the amount of financial reward but also its perceived fairness relative to others in the workplace. Jenkins et al. (1998) also conducted a meta-analysis examining the relationship between financial incentives and performance. Their findings indicated that financial incentives positively impact short-term performance but have limited influence on long-term motivation. This meta-analysis reinforced the notion that while financial rewards can drive immediate performance improvements, they do not sustain long-term employee engagement. Deci, Koestner, and Ryan (1999) further explored the impact of extrinsic rewards on intrinsic motivation. Their research concluded that monetary rewards might undermine intrinsic motivation, especially for tasks requiring creativity and cognitive effort.

The role of non-monetary incentives

While monetary incentives are vital, non-monetary incentives also play a crucial role in enhancing employee motivation and job satisfaction. Non-monetary incentives encompass a wide range of factors, including recognition, career development opportunities, and a supportive work environment. Research by Lambrou et al. indicates that job satisfaction is closely tied to motivational factors beyond financial compensation, emphasizing the importance of understanding employees' intrinsic needs (Lambrou et al., 2010). This is echoed in the findings of Ormel et al., who demonstrated that both financial and non-financial incentives independently and collectively improve motivation among community health workers (Ormel et al., 2019). In particular, non-monetary incentives can foster a sense of belonging and recognition, which are essential for job satisfaction. For instance, Zikusooka et al. noted that non-monetary incentives, such as respect and recognition, significantly enhance professional satisfaction among healthcare workers (Zikusooka et al., 2021). This finding is supported by the work of Pandya et al., who argue that a combination of monetary and non-monetary incentives is crucial for improving motivation and job satisfaction among community health workers (Pandya et al., 2022). Moreover, the significance of non-monetary incentives is highlighted in the context of healthcare, where factors such as career growth and autonomy have been shown to enhance job satisfaction among physicians (Peña-Sánchez et al., 2014). This suggests that while financial rewards are important, organizations should also focus on creating an environment that supports professional development and recognizes individual contributions. The interplay between monetary and non-monetary incentives is critical for a comprehensive understanding of employee motivation. Research by Erbaşı and Arat indicates that a balanced approach, incorporating both types of incentives, can lead to higher job satisfaction and productivity (Erbaşı & Arat, 2012). This is particularly relevant in sectors like healthcare, where the demands on employees can be high, and a supportive work environment can significantly impact their motivation and performance.

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FINDINGS AND DISCUSSION

Findings

The dataset consists of 436 respondents with a balanced gender distribution and diverse job levels and tenures. The mean scores for satisfaction with monetary and non-monetary incentives, as well as overall job satisfaction, are around 3 on a 5-point scale, indicating moderate satisfaction levels. Employees value financial and non-monetary rewards similarly, with mean importance scores slightly above 3. Perceptions of the effectiveness of these incentives in enhancing motivation also show moderate scores. These descriptive statistics provide a foundation for analysing the impact of different incentives on job satisfaction.

Table 1: Descriptive statistics

	(1)	(2)	(3)	(4)	(5)
VARIABLES	N	mean	sd	min	max
Age	436	2.514	0.965	1	4
Gender	436	1.482	0.500	1	2
job_lvl	436	2.528	0.965	1	4
Tenure	436	2.986	1.213	1	5
pref_incentive	436	1.470	0.500	1	2
imp_financial	436	3.050	1.257	1	5
imp_nonmonetary	436	3.101	1.266	1	5
sat_monetary	436	2.972	1.220	1	5
sat_nonmonetary	436	2.991	1.239	1	5
job_sat	436	2.989	1.197	1	5
eff_monetary	436	2.842	1.072	1	4
eff_nonmonetary	436	2.830	1.052	1	4
eff_nm_incentives	436	11.99	9.018	1	31

The regression analysis models in table 2 were extensively explained in the methodology section, the results of those models are as follows;

Table 2: Multi- Regression Analysis

	(1)	(2)	(3)	(4)	(5)
VARIABLES	Overall	Monetary	Non-Monetary	Mon_Interaction	Non-Mon_Interaction
age	0.018	0.019	0.017	0.015	0.014
	(0.31)	(0.32)	(0.29)	(0.26)	(0.24)
gender	0.102	0.123	0.101	0.121	0.090
	(0.88)	(1.06)	(0.88)	(1.03)	(0.79)
job_lvl	-0.020	0.004	-0.020	-0.001	-0.024
	(-0.35)	(0.06)	(-0.35)	(-0.02)	(-0.42)

tenure	0.087*	0.079*	0.086*	0.081*	0.078*
	(1.85)	(1.68)	(1.86)	(1.73)	(1.70)
pref_incentive	0.042	0.046	0.040	0.051	0.046
	(0.37)	(0.39)	(0.35)	(0.44)	(0.40)
imp_financial	-0.000	-0.010	-0.001	-0.078	
	(-0.01)	(-0.20)	(-0.01)	(-0.41)	
imp_nonmonetary	0.051		0.050		0.134
	(1.13)		(1.12)		(0.83)
sat_monetary	0.009	-0.002		0.090	
	(0.19)	(-0.04)		(0.70)	
sat_nonmonetary	0.163***		0.163***		0.035
	(3.50)		(3.50)		(0.29)
eff_monetary	-0.004	-0.000		-0.167	
	(-0.06)	(-0.00)		(-1.24)	
eff_nonmonetary	0.023		0.023	0.020	0.260*
	(0.44)		(0.43)	(0.37)	(1.91)
imp_fin_sat_monetary				-0.029	
				(-0.74)	
imp_fin_eff_monetary				0.056	
				(1.30)	
imp_nonmon_sat_nonmonetary					0.044
					(1.17)
imp_nonmon_eff_nonmonetary					-0.077*
					(-1.90)
Constant	1.793***	2.482***	1.826***	2.620***	1.589***
	(3.58)	(5.52)	(4.10)	(3.72)	(2.63)
Observations	436	436	436	436	436
R-squared	0.040	0.009	0.040	0.015	0.051

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The regression analysis conducted illustrates several key findings. Firstly, tenure with the current employer consistently showed a positive and statistically significant impact on overall job satisfaction across all models. This suggests that longer tenure is associated with higher job satisfaction. The coefficients for tenure were positive and significant at the 10% level in all models, highlighting the importance of employee retention in enhancing job satisfaction. Interestingly, satisfaction with non-monetary incentives emerged as a critical determinant of overall job satisfaction. The coefficient for satisfaction with non-monetary incentives was positive and highly significant ($p<0.01$), indicating that employees who are satisfied with non-monetary rewards such as recognition and flexible hours report higher overall job satisfaction. In contrast, the impact of monetary incentives on job satisfaction was less clear. The coefficients for satisfaction with monetary rewards and perceived effectiveness of monetary incentives were not statistically significant in most models. This suggests that monetary incentives alone may not be sufficient to significantly enhance job satisfaction. The interaction between the importance of financial rewards and satisfaction with monetary rewards, as well as the interaction between the importance of financial rewards and the perceived effectiveness of monetary incentives, were not significant. This implies that the importance employees place on financial rewards does not significantly alter the impact of satisfaction with those rewards on job satisfaction. Notably, the interaction between the importance of non-monetary incentives and the perceived effectiveness of non-monetary incentives was significant at the 10% level. This indicates that employees who highly value non-monetary incentives and find them effective are likely to experience higher job satisfaction. Overall, the analysis reveals that while both monetary and non-monetary incentives are important, non-monetary incentives play a more significant role in enhancing job satisfaction.

DISCUSSION

The findings indicate that non-monetary incentives such as recognition and career development opportunities, have a substantial positive effect on job satisfaction. This is evidenced by the strong positive correlation between satisfaction with non-monetary rewards and overall job satisfaction, as well as the significant coefficients in the regression analysis. In contrast, monetary incentives while important do not show the same level of influence on long-term job satisfaction. The positive and significant coefficient for non-monetary incentives suggests that these types of rewards play a crucial role in enhancing employees' intrinsic motivation and long-term satisfaction. In addition to that the descriptive statistics reveal moderate satisfaction levels with both monetary and non-monetary incentives among employees. This suggests that while employees appreciate financial rewards, they equally value non-financial incentives that contribute to their sense of recognition and personal growth within the organization. This study highlights the importance for organizations to adopt a comprehensive incentive strategy that accommodates both monetary and non-monetary rewards. While financial incentives are essential for immediate performance improvements, non-monetary incentives are vital for sustaining long-term motivation and job satisfaction. By addressing both extrinsic and intrinsic motivational needs, organizations can make a more engaged, satisfied, and productive workforce. This balanced approach not only enhances overall job satisfaction but also contributes to the long-term success and stability of the organization.

CONCLUSION

In summary, the study reveals that while both monetary and non-monetary incentives play crucial roles in influencing employee motivation and job satisfaction within the financial service industry, non-monetary incentives have a more significant impact. The analysis highlights that satisfaction with non-monetary rewards such as recognition, flexible working hours, and career development opportunities strongly correlates with higher overall job satisfaction. Conversely, monetary incentives, although necessary to prevent dissatisfaction, do not show a statistically significant effect on enhancing long-term job satisfaction. The positive impact of tenure further underscores the importance of employee retention strategies. These findings suggest that financial service institutions should adopt an approach that integrates both types of incentives, but placing greater emphasis on non-monetary rewards to foster a motivated and satisfied workforce.

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