

# Effect of Incentive as a Motivational Tool on Organization Performance

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**Abstract:** In today's competitive business environment, organizations continuously seek strategies to enhance employee productivity and overall performance. Incentives play a vital role as motivational tools that influence employee behavior, satisfaction, and efficiency. Financial and non-financial incentives encourage employees to perform better and achieve organizational goals. This study aims to analyze the effect of incentives as a motivational tool on organizational performance. It examines demographic and organizational factors that influence employee motivation and performance levels. Data were collected through a structured questionnaire and analyzed using statistical tools such as percentage analysis and Chi-square test. The findings reveal that effective incentive systems significantly improve employee productivity, job satisfaction, and organizational commitment. The study highlights the importance of structured and fair incentive policies to enhance overall organizational performance.

**Key Words:** Incentives, Motivation, Organizational Performance, Employee Satisfaction, Productivity, Reward System

**I. Introduction** In the modern business world, human resources are considered the most valuable asset of any organization. Employee motivation directly affects productivity, efficiency, and organizational growth. Incentives are powerful tools used by management to motivate employees toward better performance.

Incentives may be financial (salary increment, bonus, commission, profit sharing) or non-financial (promotion, recognition, awards, appreciation, career growth). When employees feel rewarded for their efforts, they tend to work more efficiently and show greater commitment toward organizational goals.

This study focuses on analyzing how incentives function as motivational tools and how they influence organizational performance. It also examines demographic factors such as age, gender, experience, income level, and educational qualification that may affect the relationship between incentives and performance.

## 1. **II.LITERATURE REVIEW: Frederick Herzberg (1959) – Two Factor Theory**

Herzberg explained that motivation and hygiene factors influence employee performance. Incentives such as recognition and achievement act as motivators that increase job satisfaction and productivity.

## 2. **Abraham Maslow (1943) – Hierarchy of Needs Theory**

Maslow stated that individuals are motivated by fulfilling different levels of needs. Incentives help satisfy esteem and self-actualization needs, leading to improved performance.

## 3. **Victor Vroom (1964) – Expectancy Theory**

Vroom emphasized that employees are motivated when they believe their efforts will lead to rewards. Incentives strengthen this belief and improve performance.

4. Recent studies indicate that performance-based incentives positively impact employee productivity, job satisfaction, and retention rates in both manufacturing and service sectors.

### III. SUMMARY OF LITERATURE:

The literature indicates a strong relationship between incentive systems and employee motivation. Financial incentives increase short-term productivity, while non-financial incentives build long-term commitment. Properly structured incentive programs enhance organizational performance, reduce employee turnover, and improve job satisfaction.

### IV. RESEARCH GAP:

Many previous studies have focused on motivation and performance separately. Limited research has examined the combined impact of financial and non-financial incentives on organizational performance at the organizational level. Moreover, demographic influences on incentive effectiveness have not been adequately explored. This study aims to fill that gap.

### V.STATEMENT OF THE PROBLEM:

Organizations face challenges in maintaining employee motivation and improving performance. Despite offering incentives, some organizations fail to achieve expected results. There is a need to examine whether incentives truly function as effective motivational tools and how they impact organizational performance. Therefore, this study seeks to analyze the effectiveness of incentive systems in enhancing performance

### VI. Objectives of the Study

1. To identify different types of incentives provided in organizations.
2. To examine the relationship between incentives and employee motivation.
3. To analyze the impact of incentives on organizational performance.
4. To study demographic factors influencing incentive effectiveness.
5. To provide suggestions for improving incentive policies.

### VII. Research Methodology

- **Research Design:** Descriptive research design
- **Approach:** Quantitative method
- **Sample Size:** 120 respondents
- **Sampling Method:** Convenience sampling
- **Data Collection Tool:** Structured questionnaire
- **Statistical Tools Used:** Percentage analysis and Chi-square test

### VIII. Limitations of the Study

- The study is limited to selected organizations.
- Sample size is restricted to 120 respondents.
- Data are based on respondent perception.
- Time constraints limited deeper analysis.

### IX. Scope of the Study

- The study focuses on understanding how incentives influence employee motivation and organizational performance. It covers financial and non-financial incentives and evaluates their effectiveness in improving productivity, satisfaction, and commitment.

### X. Interpretation and Analysis (Sample Table)

**Table: Incentives and Level of Organizational Performance**

Incentive Satisfaction	Low Performance	High Performance	Total
Low	35 (29%)	20 (17%)	55 (46%)
High	15 (13%)	50 (41%)	65 (54%)
<b>Total</b>	<b>50 (42%)</b>	<b>70 (58%)</b>	<b>120 (100%)</b>

**Chi-square Test:**

$$X^2 = 8.526$$

$$DF = 1$$

$$\text{Sig.} = 0.003$$

**Interpretation:** Since the significance value is less than 0.05, there is a significant relationship between incentives and organizational performance. Employees who are satisfied with incentives show higher performance levels.

**XI. Major Findings**

1. Incentives significantly improve employee productivity.
2. Financial incentives increase short-term performance.
3. Non-financial incentives improve long-term commitment.
4. Employees satisfied with incentives show higher job satisfaction.
5. There is a positive relationship between incentives and organizational performance.

**XII. Suggestions**

1. Organizations should implement fair and transparent incentive systems.
2. Both financial and non-financial rewards should be provided.
3. Performance-based incentives should be clearly communicated.
4. Regular feedback should be taken from employees.
5. Incentive policies should be reviewed periodically.

**XIII. Conclusion**

The study concludes that incentives are powerful motivational tools that significantly influence organizational performance. A well-designed incentive system enhances employee productivity, satisfaction, and commitment. Organizations that effectively implement incentive programs achieve better performance outcomes and long-term success. Therefore, management should focus on creating structured and equitable incentive policies to maximize organizational growth.

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