The Role of Financial Incentives on Employees’ Performance in Tanzania: A Case of Iringa Municipal Council

Suzana John Mfikwa a*, Blandina Kisawike a and Bahati Golyama a

a Department of Business Administration, University of Iringa, P.O.Box 200, Tanzania.

Authors’ contributions
This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

Employee motivation and reward are common concepts that are widely practised in many organisations. Among such rewards are financial incentives, rewards given to employees as part of an organization’s strategies to boost performance and motivation. While the role of financial incentives on employee performance has widely been investigated in many organisations, not as much research has been done on the same in Tanzania. The present study assessed the role of financial incentives on employees’ performance at Iringa Municipal Council in Tanzania. The study employed a quantitative research approach and a randomly selected sample size of 339 employees out of a total population of 2,215 employees at the Council. The collected research data were analysed using descriptive and inferential statistics like multiple linear regression. The findings revealed a positive but insignificant contribution of financial incentives on employees’ performance in Iringa Municipal Council. For instance, financial incentives contributed to about 52% of the variations in employee performance (β = .529), but the contribution was statistically insignificant (p = .127). This demonstrates that there could be other factors that drive employee performance at Iringa Municipal Council, and different approaches are required to enhance the employee’s performance. The study recommends that further studies should focus on assessing the contribution of incentives to employees’ performance in other types of local government, such as rural and district councils, as well as central government institutions.

*Corresponding author: Email: hananamfikwa@gmail.com;
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1. INTRODUCTION

Employees are critical assets in organisations where they have direct linkages with customers and influence organisational performance. According to Wang and Zeng [1], the performances of individual employees in an organisation determine and affect the overall organisational performance. Recent studies have highlighted the critical role of employees in promoting organisations’ competitiveness, especially on issues relating to customer satisfaction. Ryan [2], for instance, highlights the importance of organizations’ employees in customer attraction and retention. In this regard, organisational performance is often linked to employees’ satisfaction with their jobs, their efficiency, and the levels of morale levels as they perform their duties [3,4]. Therefore, the performance and motivation of employees are critical aspects for consideration in ensuring an organization’s competitiveness and performance. Hence, the need to constantly motivate employees through different initiatives to boost their performance.

One of the ways of boosting employees’ morale and performance is through the use of incentives. An incentive can make someone want to do something or work harder, motivates or drives one to do something or behave in a certain way. According to Al-Belushi and Khan [5], incentives are among the key factors that enhance the non-financial and financial dimensions of organisational performance. The use of incentives is one of the most important factors that encourage workers to put forth great efforts and work more efficiently and, in turn, improve employees’ performance. This is because incentives and reward systems stimulate employees’ capabilities to become more efficient in achieving the institution’s goals [6]. The importance of incentives in driving motivation is largely propounded since the benefits outweigh the expenses involved in maintaining a de-motivated employee to productivity. Consequently, the absence of suitable incentives may negatively affect the hardworking employee’s performance and weaken their productivity at work which decreases the chances of an organisation attaining reasonable goals [7].

Financial or monetary rewards are the commonest types of incentives used by organisations to boost employee performance. According to Anyim Chukwudi et al. [8], monetary incentives can include salaries or wages, bonuses, medical, transportation, educational allowances, and pensions, among others. Financial incentives include stock options, profit sharing, raises, and commissions [9]. Different financial incentives are offered to employees for different purposes. Bonuses, for example, are extra monies offered to employees who work extra hours on a project, while pensions are deferred income that employees gather during their working lives and that belongs to them after retirement [10]. Financial incentives can also be divided into direct or indirect incentives. While direct financial incentives include good salary packages, profits, and commissions, indirect financial incentives are all those benefits that are not covered by direct financial incentives [11]. The most common reward scheme is one in which performance is pegged to pay, whereby workers receive bonus payments as a percentage of salary based on organisational profitability or efficiency. Alternatively, individual reward packages can be issued where individuals increase their productivity, improve the quality of output, enhance their contribution to the department or section by making suggestions, and/or cooperate with other workforce members [11].

Whether direct or indirect, financial incentives tend to have a positive impact on employees’ performance. Babalola et al. [12], in their study on the incentive package, employees’ productivity, and performance of real estate firms in Nigeria, showed a strong relationship between incentives and organisational performance but not all incentive options are offered or used in estate firms, and incentive packages differ significantly. In Tanzania, organisations also use financial incentives to motivate staff performance. Kyaruzi [13] has previously shown a clear relationship between various forms of financial incentives and job commitment among employees of MHS Massana Hospital in Dar es Salaam and concluded that motivation increases organisational productivity and retained talents at the workplace. Tirweshobwa’s [14] study also assessed the impact of motivations on employees’ performance at the United Nations World Food Programme in Tanzania. It showed that a majority of workers valued good pay as a financial motivator alongside other factors like work environment and promotion.
Employee performance is, in most cases, understood to be a multi-dimensional concept that includes task performance and contextual performance. In the present study, employees' performance was studied in the context of employees' contributions to organisational performance. Here, employees' performance included the job outcomes of an employee at their workplace in terms of revenue collection, complaints, and service delivery. Although several studies have assessed financial incentives as a motivating factor for employee performance in many organisations, little is documented on how financial incentives contribute to employee performance in the public sector in Tanzania. Therefore, the current study assessed the role of financial incentives in employees' performance at Iringa Municipal Council to fill the existing knowledge gap. The literature reviews and study methodology are presented in Sections 2 and 3, respectively, while the results and discussions are presented in Section 4. Similarly, the conclusions and implications of the study are presented in Section 5. The results from this study may assist other researchers in obtaining data based on the relationship between incentives and employees' performance at Iringa Municipal Council or in other private and public organisations in other parts of Tanzania. The results can further be beneficial to managers and government policymakers on the best approaches to improving financial incentives in the public sector to motivate employees' performance for proper service delivery to the public.

2. LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Herzberg's motivation hygiene theory

Herzberg began his research on factors that affect job motivation and contribution to employees' performance in 1959 was discovered that some factors were making an employee satisfied and perform well while other factors were making them dissatisfied. Herzberg [15] termed the factors which cause job satisfaction motivators, while he called those that cause dissatisfaction motivator factors and employees' performance. According to Herzberg [15], the motivators include financial incentives for employees' performance. The assumption of the theory is that presence of hygiene factors such as incentives will not cause satisfaction, but their absence will cause dissatisfaction and, in turn, affects employees' performance. Also, the theory assumes a strong correlation between job satisfaction and productivity. This theory is directly related to the study since it explains the incentives as motivator factors and employees' performance, key objectives of the study as financial incentives to employees [16]. From Herzberg's Two Factor Theory, financial incentives are taken as the key variable that contributes to employee performance in an organisation. The present study adopted these variables to determine their contribution to employees’ performance in Iringa Municipal Council in Tanzania.

2.1.2 Maslow's hierarchy of needs theory

Maslow [17] developed this theory based on people's wants, and as soon as one of his needs is satisfied, another appears in its place. Maslow propounded human needs into five main groups, physiological, safety, social, esteem, and self-actualisation, which constitute a hierarchy. Maslow argued that the lower needs have to be satisfied before the next levels of demand that would motivate employees. Thus, the higher levels of needs are not considered important by an individual until the lower-level needs are satisfied. Once a need is satisfied, the individual looks at the next level of need in their hierarchy. However, Maslow provides no empirical substantiations, and several studies that sought to validate the theory found no support for it [18].

Maslow [17] saw motivation as a constantly changing desire to fulfil changing needs of individuals in a society. He believed that human needs occurred in a hierarchy of importance, which he called 'prepotency'. Only the next level of need in the hierarchy will act as motivators. Once a level of needs has been satisfied, they no longer act as motivators, and the individual then directs attention towards the next level of needs in the hierarchy. Argyris [19] suggested that in formally designed organisations, with an emphasis on hierarchy and task specification, there tended to be a lack of congruency between the needs of the healthy adult and the demands of the organisation. In these types of organisations, employees have little control over what they do, are expected to have a short-term perspective, be dependent upon, and subordinate to hierarchical superiors and are expected to exercise only a few superficial skills and abilities. According to Argyris [19], employees' natural desires for a certain level of autonomy are often repressed, resulting in
feelings of frustration and failure, lowering worker morale. The present study also adopted this theory because the hierarchy of needs can be a background motivating factor associated with the financial incentives at workplaces; therefore, it can be a principle behind the role of financial incentives on employees’ performance.

2.1.3 The expectancy theory

This theory suggests that people put effort into work when they start to perceive that it will increase their performance, which will eventually increase the chances of them receiving rewards. Therefore, an increase in financial incentives also increases employees’ performance and reduces the turnover rate. Similarly, if financial incentives are not provided to employees who have performed well by organizations, they will feel demotivated and their performance will also decrease. The theory further argues that motivation at work is a function of beliefs about one’s competence to reach expected performance levels coupled with the expectation of getting a valued reward if one does so. The design of performance management and compensation systems based on this principle demands clear and achievable performance expectations and sound performance measures linked to valued rewards. If this is achieved, rewards should inform what the organisation values and motivate the right behaviours. It should not, in principle, be so difficult to achieve. If an organisation has clear values and objectives to guide the communication of clear individual performance criteria and performance evaluation focuses on measuring these criteria and linking valued rewards to them, organisations should get optimal performance and job satisfaction. However, reward systems can also be problematic since the expectancy theory principles are not applied properly when designing incentive systems. According to Kerr [20], the design of incentive systems often leads to getting what you pay for, and sometimes it is hard to figure out what you are paying for when using an incentive scheme. He provides many examples of rewards that lead to the reinforcement of unwanted behaviours and/or lack of desired behaviours. The problem seems to be that it is difficult to fully anticipate how employees understand what the organisation intends to reward, with some understanding all too well how to game the system or cut corners to get the reward without achieving organisational goals. Rewards are also frequently linked to results that employees feel they do not control. Besides, efforts are rarely directly rewarded because they are difficult to measure, and rewards can lose their power to motivate effort. Nevertheless, this theory was also partially applied in the present study to help explain the role of financial incentives on employee performance.

2.2 Empirical Review

Several studies have already assessed financial incentives to employees in the context of motivating the employees for better organisational performance. Nnubia [21] analysed the contribution of monetary incentives to employee performance in the manufacturing firms in Anambra State, Nigeria, using primary and secondary data sources collected through a survey of 287 staff out of 1,019 employees of the firms. The study revealed a significant positive relationship between salary, wages, and commission and worker’s performance. The study concluded that monetary incentive is one of the most important strategies in human resource management as it influences the productivity and growth of an organisation. Based on the findings, the study recommended that monetary incentives like bonuses and performance-based rewards should be provided to attract, retain and motivate employees for better performance, and commissions should be considered in the distribution of rewards to deserving employees for maximum performance.

Zekaret and Saber [22] assessed the impact of financial rewards on job satisfaction and performance for blue-collar jobs among employees in the construction, contracting, and printing industries in Lebanon. Data were collected using self-administered questionnaires from 250 employees working in the industries and analysed multiple linear regression to test the relationship between variables. The results of this study showed a significant relationship between financial rewards and job satisfaction/performance. The study recommended that organisations should consider financial rewards to promote job satisfaction and employee performance.

Widhianingrum [23] assessed the effects of financial incentives like bonuses and other compensations on employees’ performance at PT.BPR Ekadharma Magetan Regency in Indonesia. Quantitative data were collected from 93 employees and managers through observation, questionnaires, and documentation. A simple linear regression analysis of the data
indicated that monetary incentives had a significant effect on employee performance. This was evident in the results of statistical calculations through partial hypothesis testing, which led to the rejection of the null hypothesis and acceptance of the alternative hypothesis. However, different types of monetary incentives can have different influences on employee performance, hence the need to expand the model to incorporate different types of financial incentives against different measures of employees’ performance, as was done in the present study.

Wanjiru [24] studied the influence of financial and non-financial incentives on employees’ job performance at Equity Bank Limited in Kenya. The study adopted the descriptive research design. The target population will comprise 447 bank employees, out of which 134 were selected for the data collection using self-administered questionnaires. Descriptive statistics such as frequencies and percentages were used to summarise the data. Pearson’s correlation coefficient was used to establish the relationship between the independent and the dependent variable. The study showed that there was a significant and positive relationship between compensation and job performance. However, the influence of monetary incentives on employees’ performance was generally shown not to be significant. It was thus necessary to assess the contribution of financial incentives at Iringa Municipal Council to assess if they exert positive and/or significant effects on employees’ performance.

Oloke et al. [25] studied the incentive packages, employees’ productivity, and performance in Nigeria’s real estate firms. There is a strong relationship between incentives and organisational performance. However, the result indicated that not all incentive options are offered or used in the estate firms, and the incentive packages also differed significantly. Several studies have also been conducted in Tanzania evaluating the role or impact of financial incentives on employees’ performance in organisations. Kumbruru [26] studied rewarding employees for organisational performance in Tanzania. The study involved 160 respondents selected through simple random sampling for the collection of primary and secondary data using semi-structured interviews, questionnaires, and documentary reviews. The findings showed that there were varieties of financial incentives used, and the level of financial incentives provided to employees was adequate. In addition, some financial incentives had a positive relationship with organisational performance, whereas others did not. However, the estimated correlation coefficients were low, signifying that there might have been other factors apart from financial incentives influencing organisational performance. The study recommended consideration of different types of incentives to increase individuals’ satisfaction and loyalty to work and enhance performance. This recommendation has been included in the present study by incorporating different types of financial incentives to assess their impacts on employees’ performance at Iringa Municipal Council.

Kyaruzi [13] in Dar es Salaam found a clear relationship between incentives and job commitment; thus, motivation increases organisational productivity and retains talents at the workplace. Incentives can further be classified as monetary and non-monetary tangible and non-monetary intangible incentives. Maxwell and Chukwudi [27] focused on the monetary incentives provided by organisations that have effects on an organisation and mentioned salaries or wages, bonuses, medical allowance, and educational allowance, among others. The reviewed literature asserts that compensation and incentives have a positive and significant influence on non-financial and financial dimensions of organisational performance; however, little has been documented on the contribution of incentives towards employees’ performance. The extent to which financial incentives contribute to employees’ performance in the public institutions in Tanzania is particularly unknown. Thus, the present study assessed the role of financial incentives on employees’ performance at Iringa Municipal Council in Tanzania to fill the existing knowledge gap and form a basis of study for other researchers to understand the relationship between incentives and employees’ performance at Iringa municipal council or in other private and public organisations other parts of Tanzania.

3. RESEARCH METHODOLOGY

The present study was conducted in Iringa Municipal council, focusing on all employees from the education, health, agriculture, finance, and administration sectors in Iringa. Iringa Municipality is one of the districts of the Iringa Region of Tanzania. The study area was purposively selected because of the availability
of enough staff from different employee categories compared to other Councils in the region. The researchers were therefore, able to obtain the views of different employee categories on the contribution of financial incentives to employees' performance in the municipality [28].

The philosophical foundation for the study was based on the positivism paradigm which builds a highly structured methodology to allow generalisation and quantifiable observations and evaluation outcomes with the aid of statistical techniques [29]. The target population for the present study included all 2215 employees of Iringa Municipal Council, out of which a sample size of 339 was determined through Yamane’s [30] formula. A quantitative research approach was employed in the present study because it aimed at explaining the contribution of financial incentives to employee performance in Iringa Municipal. According to Marck et al. [31], quantitative methods are normally considered appropriate where there is a need for a hypothesis and theory testing associated with the cause-effect relationship. The study also applied a statistical model to analyse data to provide comprehensive proof to answer the research questions under study. The researcher employed a deductive approach because it entailed the use of questionnaires to accrue research data. The study was also explanatory in aiming to explain the causal effects relationship between financial incentives and employee performance at Iringa Municipal Council. The collected research data were analyzed using descriptive and inferential statistics like multiple linear regression and presented in the form of tables.

4. RESULTS AND DISCUSSION

4.1 Results

4.1.1 Descriptive statistics

The mean, standard deviation, maximum and minimum values recorded for the independent variable (financial incentives) against the dependent variable (employee performance) at Iringa Municipal Council are shown in Table 1. Among the five measurement variables of financial incentives, bonus payments, gift cards, extra time paid off, paid training opportunities, and free meals had mean values of 3.0619, 3.0708, 3.3835, 3.4218, and 3.4513, respectively correspondingly. On the other hand, service delivery, complaints, and revenue collection had 3.5457, 3.5369, and 3.6195, respectively, as measures of employees’ performance. Since the study used a 5-point Likert scale ranging from 1 = strongly disagree (minimum) to 5= strongly agree (maximum) against a total sample size of 339 observations (n = 339), the mean values of all financial incentives and measures of employees’ performance were moderate as they exceeded the scale’s centre point of 3. The moderately high mean values exhibited by the independent variables insinuate their relative contribution to employees’ performance in Iringa Municipality. However, mean values alone are not the final score for concluding. Further analyses on the relationship between financial incentives and employee performance at Iringa Municipal Council are presented in Sections 4.1.2 and 4.1.3, respectively.

Table 1. Descriptive statistics

<table>
<thead>
<tr>
<th>Variable name</th>
<th>n</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonuses</td>
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<td>1.00</td>
<td>5.00</td>
<td>3.0619</td>
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<tr>
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<td>5.00</td>
<td>3.0708</td>
<td>1.00634</td>
</tr>
<tr>
<td>Extra paid time off</td>
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<td>1.00</td>
<td>5.00</td>
<td>3.3835</td>
<td>.89401</td>
</tr>
<tr>
<td>Paid training opportunities</td>
<td>339</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4218</td>
<td>.80066</td>
</tr>
<tr>
<td>Free meals</td>
<td>339</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4513</td>
<td>.70490</td>
</tr>
<tr>
<td><strong>Dependent Variable: Employee Performance</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Service delivery</td>
<td>339</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5457</td>
<td>.77696</td>
</tr>
<tr>
<td>Complaints</td>
<td>339</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5369</td>
<td>.69718</td>
</tr>
<tr>
<td>Revenue collection</td>
<td>339</td>
<td>1.00</td>
<td>5.00</td>
<td>3.6195</td>
<td>.65703</td>
</tr>
</tbody>
</table>

*Source: Researcher, (2022)*
4.1.2 Correlation analysis

The correlation analysis between the various financial incentives and the measures of employee performance is shown in Table 2. The relationship between financial incentives and employees' performance was conducted using the partial correlation test. Generally, the relationship between financial incentives and employees' performance was shown to be positive with \( r = 0.604, p < 0.05 \). Additionally, the findings revealed that all measurement variables of financial incentives had positive associations with measurements of employees' performance. The strongest association was established between employees' performance and gift cards \( r = 0.592, p < 0.05 \). On the contrary, the least association was established between bonuses and employees' performance \( r = 0.436, p < 0.05 \).

4.1.3 Multiple regression analysis

Table 3 shows the regression coefficients and p values for the regression analysis of various financial incentives and employees' performance at Iringa Municipal Council. Before regression analysis, the researcher determined the value of variance inflation factor (VIF) as 1.559 with a tolerance level of 0.642. This means that the VIF was within an acceptable range which is below 10. The regression analysis showed that bonuses (FI1), gift cards (FI2), extra time paid off (FI3), paid training opportunities (FI4), and free meals (FI5) all had insignificant effects on employees' performance since the computed p values were above 0.05. For instance, financial incentives contributed to about 52% of the variations in employee performance \( \beta = 0.529 \), but the contribution was established to be statistically insignificant \( p = 0.127 \). Therefore, the null hypothesis stating that there was no positive and significant relationship between financial incentives and employees' performance was accepted while the alternative hypothesis that there was a positive and significant relationship between financial incentives and employees' performance was rejected. In addition, gift cards \( \beta = 0.047 \), bonuses \( \beta = 0.529 \), paid training opportunities \( \beta = 0.101 \), extra time paid off \( \beta = -0.556 \), and free meals \( \beta = -0.291 \) also had positive but insignificant associations \( p > 0.05 \) with employees' performance at Iringa Municipal Council. Therefore, these attributes of financial incentives do not necessarily contribute to employees' performance in Iringa Municipal Council.

The greatest contributions to employees' performance were noted for bonuses \( R^2 = 53\% \) and extra time paid off \( R^2 = 57\% \) (Table 3). However, gift cards, paid training opportunities and free meals only contributed to 0.05%, 10%, and 29% of employees' performance, respectively (Table 3). The general contribution of all financial incentives to employees' performance was 52% (Table 3). These results generally confirm that in Iringa municipal council, there is no positive and significant relationship between financial incentives and employees' performance. Nevertheless, all types of financial incentives were established to be statistically insignificant in contributing to employees' performance at Iringa Municipal Council.

Table 2. Relationship between financial incentives and employees' performance

<table>
<thead>
<tr>
<th></th>
<th>FI1</th>
<th>FI2</th>
<th>FI3</th>
<th>FI4</th>
<th>FI5</th>
<th>FI</th>
<th>EP1</th>
<th>EP2</th>
<th>EP3</th>
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<tr>
<td>FI1</td>
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<tr>
<td>FI2</td>
<td>.783**</td>
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<td></td>
<td></td>
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<td>.646**</td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>FI5</td>
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<td>.509**</td>
<td>.620**</td>
<td>.613**</td>
<td>1</td>
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<td></td>
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</tr>
<tr>
<td>FI</td>
<td>.829**</td>
<td>.887**</td>
<td>.836**</td>
<td>.746**</td>
<td>.748**</td>
<td>1</td>
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<tr>
<td>EP1</td>
<td>.458**</td>
<td>.612**</td>
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<td>EP2</td>
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<td>.519**</td>
<td>.418**</td>
<td>.480**</td>
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<td>.543**</td>
<td>.775**</td>
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<td>EP3</td>
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<td>.506**</td>
<td>.407**</td>
<td>.441**</td>
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<td>.536**</td>
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<td>.922**</td>
<td>.927**</td>
<td>.924**</td>
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\( F11 = \) bonuses, \( F12 = \) gift cards, \( F13 = \) extra time paid off, \( F14 = \) paid training opportunities, \( F15 = \) free meals, \( F1 = \) financial incentives, \( EP1 = \) service delivery, \( EP2 = \) complaints, \( EP3 = \) revenue collection, \( EP = \) employee's performance. Source: Field data, (2022)
Table 3. Contribution of financial incentives to employee’s performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Regression coefficient</th>
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<td>(Constant)</td>
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<td>FI2</td>
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<tr>
<td>FI</td>
<td>.529</td>
<td>.127</td>
</tr>
</tbody>
</table>

*FI1 = bonuses, FI2 = gift cards, FI3 = extra time paid off, FI4 = paid training opportunities, FI5 = free meals, FI = financial incentives, dependent Variable = EP Source: Field data, (2022)*

4.2 Discussion

The present study examined the contribution of various financial incentives to employees’ performance in the Iringa Municipal Council in Tanzania. The main aim of the study was to establish if the financial incentives had a significant and positive contribution to employees’ performance at the council. The descriptive results showed that the mean values of all financial incentives and measures of employees’ performance were above the scale’s centre point (3) and an indication of their relative contributions to employees’ performance at the Iringa Municipal Council. These results are comparable to those of Idowu et al. [32] who also established that both tangible and intangible financial incentives at different large-scale industries in Ibadan, Nigeria had means ranging from 2.5-3.5. A separate study by Njiraine [33] also established a comparable mean of 3.95 for percentage bonuses offered to employees at the University of Nairobi, Kenya.

Generally, financial incentives and employee performance at Iringa Municipal Council were strongly related ($r = .604$), which is comparable to .647, which was established for financial rewards and employee performance at Kenyatta University in Kenya [34]. The correlation analysis showed that all measures of financial incentives (bonuses, gift cards, extra time paid off, paid training opportunities, and free meals) had positive associations with the measures of employees’ performance as determined in the study. The strongest association was established between gift cards and employees’ performance ($r = .592$). Heninger [35] also reported that employee participants’ performance is higher when gift cards are selected than when either cash or tangible rewards are chosen. On the other hand, the weakest association was established between bonuses and employees’ performance ($r = .436$). Bonuses are monetary rewards to employees for exemplary performance. According to Njiraine [33], bonuses in employees’ salaries based on organisational performance or employee efficiency normally enhance employee and organisational performance. However, the present results showed a weak association between bonuses and employees’ performance at Iringa Municipal Council. Nevertheless, these results are comparable to those of Al-Belushi and Khan [5], who studied the impact of monetary incentives on employees’ motivation at Shinas College of Technology in Oman and established that the monetary incentives motivated employees to work hard and achieve higher performance. Several other studies have also reported the motivation of employees toward better performance when rewarded with financial incentives [11,36,37].

Having established positive associations between all forms of financial incentives and the measures of employees’ performance at Iringa Municipal Council, the study further performed a regression analysis to evaluate the extent to which a unit change in each form of financial incentive would impact employees’ performance. The analysis revealed that a total of 53% of all the variations in employees’ performance at Iringa Municipal Council could be explained by the five types of financial incentives to employees ($\beta = .529$). However, this result proved to be statistically insignificant ($p = .127$). This shows that bonuses, gift cards, extra time paid off, paid training opportunities, and free meals, despite influencing employee’s performance at Iringa Municipal Council to a large extent, the impacts were not significant. These observations are quite similar to those obtained by Bassey [38] while assessing the effects of financial rewards on employees’ turnover and job performance in tertiary institutions in Cross River State, Nigeria, where the results showed that financial rewards did not
have a significant effect on employee’s job performance \( (p = 0.20) \). Similar results have also been reported by Ndungu [34] for employees of Kenyatta University in Kenya, where the regression analysis revealed that financial rewards could explain up to 62% of the variations in employee performance \( (\beta = 692) \), but this was not significant \( (p = 0.09) \).

Another study also evaluated the influence of financial and non-financial incentives on employees’ job performance at Equity Bank Limited in Kenya and showed that medical insurance and bonus at the end of the year were not important in increasing employees’ job performance [24]. These results generally show that monetary incentives do not necessarily exert significant influence on employees’ performance as may be perceived, meaning that there may be other forms of motivational factors other than financial incentives.

The financial incentives were generally responsible for explaining up to 52% of employees’ performance in terms of service delivery, complaints, and revenue collection. This demonstrates that other explanatory factors influence employees’ performance alongside monetary rewards. The finding is also similar to those from the study by Daramola and Daramola [39], monetary rewards are not the only motivating factors that have a stronger influence on employees’ performance. The study generally established that some incentives had minimum explanatory power to contribute to employees’ performance because the investigated financial incentives were not provided to employees in Iringa municipal. For instance, gift cards, paid training opportunities, and free meals could only explain 0.05%, 10%, and 29% of employee performance at Iringa Municipal Council. This goes to confirm that these financial incentives are rarely practised and if so, then the magnitude or impact remains too low to cause any significant change in employees’ performance. The strongest explanatory variables of employees’ performance were established to be bonuses and extra time paid off, which respectively explained 53 and 57% of employee performance at the council. This also shows that bonuses and extra time paid off only partially account for the variations in employee performance at the Council. The reason for this is unclear, but it is thought that there could be other financial and non-financial aspects that also govern employees’ performance [40-42].

The present study also showed that extra time payments and paid training opportunities were offered to very few employees at Iringa District council due to insufficient budgets for financial incentives. This could be the reason for the weak/insignificant association between these financial incentives and employees’ performance at Iringa Municipal Council. The ineffectiveness of implementing these items meant that the employees were not encouraged to work extra hours towards the organisational goals. Working extra hours is motivated by financial incentives like bonuses which stimulate employees towards their success and organizational achievements. For instance, in the study by Al-Belushi and Khan [5] on the impact of monetary incentives on employees’ motivation at Shinas College of Technology in Oman, 61.5 % of the respondents mentioned overtime payments as one of the financial incentives to be considered to boost employee performance.

The present findings are related to those of Kumburu [26], who examined the contribution of financial incentives to employees’ performance. The study questioned the role of financial incentives matter in the 21st Century for Tanzanian employees using quantitative findings from a 160-sample size. The findings show that a variety of financial incentives used had different impacts on employees’ performance and while some financial incentives to staff had positive relationships with organisational performance, others did not. Such results that employees are normally motivated by salary and on-duty allowance rather than the other forms of monetary incentives have also been documented recently by Al-Belushi and Khan [5] for employees at Shinas College of Technology in Oman.

The findings from this study are not related to the theory of motivation by Herzberg [15], who argued that factors that cause job satisfaction are those which motivate. According to Herzberg [15], the motivators’ factors include financial incentives on employee’s performance decomposed behaviour. The present study showed that despite financial incentives being a motivational factor for employees at Iringa Municipal Council, they had an insignificant contribution to employees’ performance. This can also mean that the financial incentives have a weak explanatory power on employees’ performance at Iringa Municipal council. Thus, proper approaches are needed to ensure that
financial incentives can impact employees’ performance.

5. CONCLUSION AND IMPLICATIONS

The present study assessed the role of different financial incentives on employees’ performance in Iringa Municipal Council in Tanzania. Although the findings of the study revealed that financial incentive generally enhanced the performance of employees at the Council; the correlation analysis results showed that the associations between financial incentives and employees’ performance at the Council were significant (p < 0.05). However, the positive contributions of all forms of financial incentives to employees’ performance at the council were generally shown to be insignificant in the regression analysis. The study recommends that the employees should be given financial incentives to stimulate and encourage them to work towards the organisational goals. Therefore, bonuses, gift cards, extra time paid off, paid training opportunities, and free meals should be provided to employees to enhance their best practices. Thus, financial incentives should be encouraged, established, and promoted to increase the level of employee performance in Iringa municipal council. The results of the present study may assist other researchers in obtaining data based on the relationship between incentives and employees’ performance at Iringa municipal council or in other private and public organisations in other parts of Tanzania. However, the present study was limited in being a case study whose results may be different from longitudinal or cross-sectional studies. Therefore, further studies are recommended using other study designs to validate the present findings. The present study was also quantitative and described only the relationship between employees’ performance and financial incentives. Thus, future research should focus on the reasons for the relationship. In addition, future research can study the relationship between employees’ performance and financial incentives in other public institutions and compare how these variables vary in public institutions.

CONSENT

As per international standard or university standard, Participants’ written consent has been collected and preserved by the author(s).

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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