

# Impact of Incentives in Motivating IT Employees

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**Abstract:** *This study is an attempt to find how the incentives motivates the employees particularly in the IT sector, even though every job has its own difficulty, of IT sector jobs are considered to hectic in general, and this study attempts to find whether incentives; both financial and non - financial incentives plays a major role in retaining the work force in IT sector. As a part of it, 400 IT employees are selected from Ernakulam and they are surveyed. The study shows that the employees are motivated by way of incentives received by them, and the incentives and job satisfaction is having some association.*

**Keywords:** Employee motivation, financial incentives, non - financial incentives, employee satisfaction

## 1. Introduction

Employees are the most important part of the any organisation. Organisation can be considered as a vehicle running on the wheels of employees. Any individual will do an action because of the encouragement from both inside and outside themselves to fulfil his or her needs. The role of employees who have high motivation and supported skills and knowledge in doing the work is needed. Motivation can be considered as a one of the determinants to increase performance of the employee. In 2014, Weiner's stated in his book that work motivation is the driving force that creates the excitement of one's work so that they will cooperate, work effectively and integrate with all their efforts to achieve satisfaction. "Several factors can affect employees' motivation. Incentives in the form of finance are expected to increase motivation of the employees as this can be allocated to the needs he wants. Other than the financial incentive non - financial incentives also plays a major role in motivating the employees, sometimes a good word or word of appreciation or some sort of recognition will motivate the employees and this will have a positive impact on the productivity of the employees. Here in this study mainly we are trying to find out which are the major incentives which is available to the IT workers, to find whether the incentives plays a major role in motivating employees to continue in their current organisation, to find whether the employee motivation and financial incentives are depended on each other, and to find whether the employees considers financial incentive as an attractive element in choosing a new organisation. The broad objective for this study is to find out the role of financial incentives in motivating the employees in IT sector in Ernakulam, the study aimed at identifying the most important indicators of motivation, determining the most significant monetary incentives and non - monetary incentive in motivating employees and determining the most significant incentives on motivation. The study was descriptive in nature. The study had a sample of 400 respondents who were conveniently selected.

## 2. Literature Review

An employee is a person who is hired to work for another or for a business, firm, etc, in return for payment. The employees are the true assets of any organization. They are the ones who contribute effectively towards the successful functioning and growth of an organization. They strive really hard to deliver their level best and to achieve the assigned targets within the stipulated time period. Employees plays a major role in bringing the organisation to another level. So for the betterment of the organisation, motivated workers are really important. As far as an organisation is concerned, highly motivated employees are needed, as it reduces absenteeism, it lowers staff turnover, it creates better relationship among employees and management, it helps in achieving the goals and targets, helps in attaining best results and the benefits will continues. There are several factors which motivates the employees in an organisation, they are overall organisation culture, leadership style, professional development opportunities, job advancement opportunities, flexible communication, financial and non - financial incentives etc. and above them incentives, especially financial incentives plays a major role in motivating the employees in an organisation as every employees are working to earn their livelihood, to achieve their basic needs, to satisfy their needs and wants all of them needs money.

A financial incentive can be considered as the money that a person, company, or organization offers to encourage certain behaviours or actions. The financial incentive, or monetary benefit, motivates the employees. A financial incentive may be a monetary benefit that a company offers its employees. Bonus and commissions, raises (salary increase; Employees greatly anticipate their raise, which typically occurs once a year), Profit sharing, stock options are some of the forms of offering financial incentives in an organisation.

Financial Incentive is another kind of direct compensation beyond salary. According to Dessler (2014), "Financial incentives are rewards or replies in the form of the financial

form given to employees whose level of production exceeds predefined standards". According to Werther & Davis (1989), the incentive system connects employee compensation and work performance by paying according to the results of their work and not because of seniority or length of work. According to Hasibuan (2013) argues that as a means of incentive motivation aims to direct and drive the power and potential of employees to want to work hard and enthusiastic in achieving optimal work, in order to realize the goals that have been determined. According to Lee (2015) proves that financial incentives have a significant effect on the performance of medical personnel, which is undoubtedly the result of an increase in motivation based on given financial incentives. From all these statements it is clear that financial incentives is having some importance in motivating employees, and its extend and depth will differ from person to person.

IT employee means those personnel who is employed in the IT department. An IT position generally involves managing, storing and processing using computers, software, database, networks and servers. The role of IT employees ranges very widely; it includes application engineer, computer programmer, data scientist etc. Generally it is said that the employee is having hectic work - life during the pandemic days, as their work load increases and pending works get accumulated day by day. In such situations financial incentives may act as a motivating factor to stay in their job.

The term 'motivation' describes *why* a person is doing something. It can be considered as the driving force behind every human actions. Motivation can be considered as a cause to act in a certain way that get closer to our goals. For example motivation is something that help an individual to lose extra weight, or pushes him to get a promotion at work.

#### Why Employee Motivation is Important in the Workplace

There are several reasons which explain why employee motivation is very important in the workplace. Motivated employees will show an increase in the work efficiency, which is directly helping the organisation to achieve the goals. Willingness of work from employees is also connected with the motivation; a highly motivated employee will be more enthusiastic to work than a normal employee who lack motivation. A highly motivated employee will definitely love their job and they will do their job without any pressure, they will be loyal to the organisation, their productivity increases and ultimately it leads to the betterment of the organisation itself.

#### Types of Incentives

Employee incentive is an effective tool for motivating employees. There are two types of incentives; financial and non - financial incentives

Financial incentives include pay and allowances, bonus, profit sharing, stock options, retirement benefits etc. Non - financial incentives include career advancement, job enrichment, job security, employee recognition program, employee empowerment, employee participation etc.

#### Why are incentives for employees important?

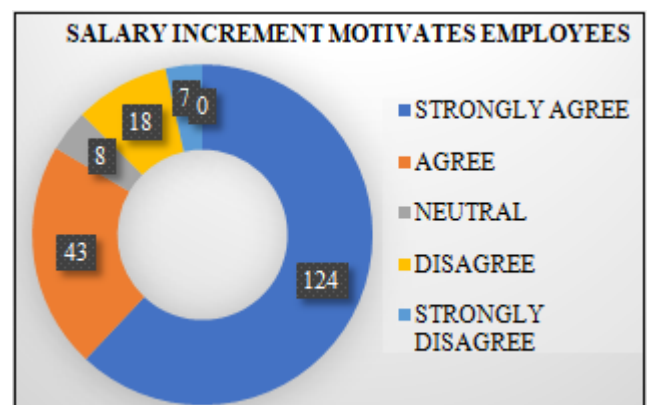
In the global scenario More than 50% organisations are in the struggle to retain their most valuable employees. As a result of huge employee turnover, the organisations are bearing huge amount for replacing jib roles, training development etc. There are several reasons why employee turnover rates might be high for a company, not having a right employee culture, lack of recognition, dissatisfaction in the current pay scale, not getting rewarded for the excellent or best practices etc. Eventhough there are several factors which affects the labour turnover lack of proper pay scale, not getting salary hike, not getting allowances where the employees of other organisation may get etc; leads to dissatisfaction and leaving the company and looking for another jobs. In this scenario the importance of financial incentives arrives as most of the employees are trying to get their things done, and to meet their daily expenses they may find financial incentives as a major motivating factor. According to a study by Genesis Associates, 85% workers surveyed felt more motivated and they will do their best when they had an incentive. So it is clear that incentives plays a major role and that too financial incentives will be most influencing for the employees.

### 3. Methodology

Population of study consisted of all the IT employees in Ernakulam district and the sample size is 400. For the selection of samples, non - probability sampling method used; convenience sampling method is used. Study is both descriptive and analytical in nature. 15 questions questionnaire given to all 400 respondents. Google forms have been used for the collection of responds from the respondents. The analytical tool used are charts, histogram, bar graph etc. study also includes chi square test to find whether the variables named incentives and job satisfaction are independent or not.

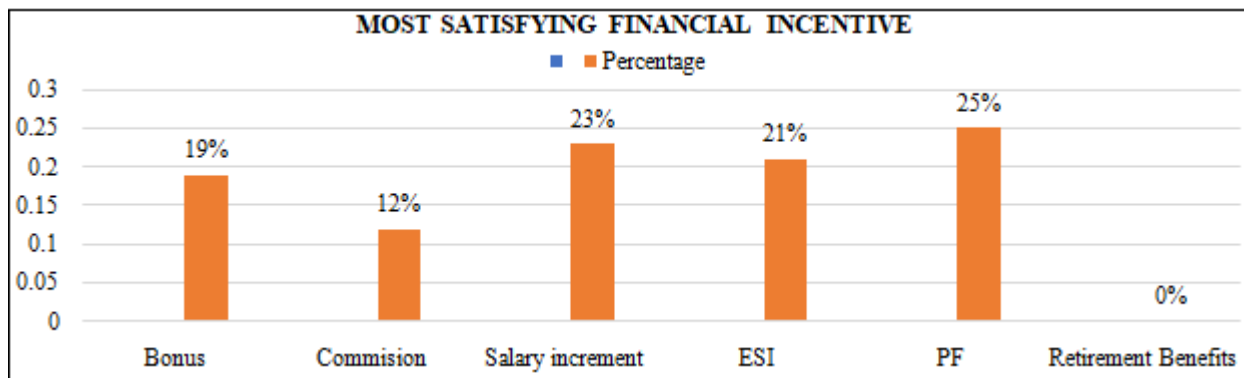
### 4. Results and Analysis

#### 1) Salary Increments Motivates Employees



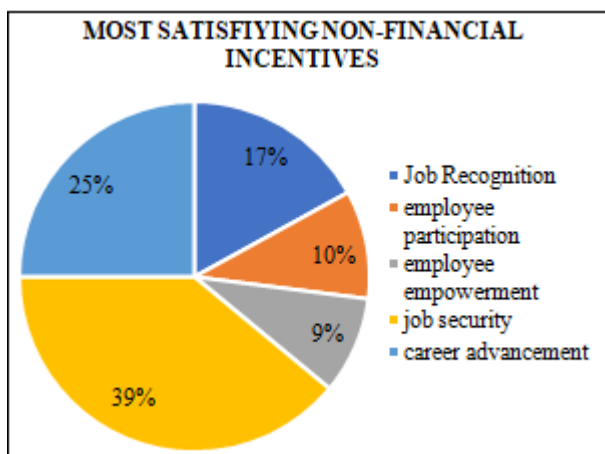
From the table it is clear that the majority of IT employees (62%) of the employees are strongly agreed to the statement that salary increment is a motivating factor and only 9% disagree and 4% disagree to this statement. They may not financial incentive as a motivating factor.

2) Types of Financial Incentive where the Employees are most satisfied



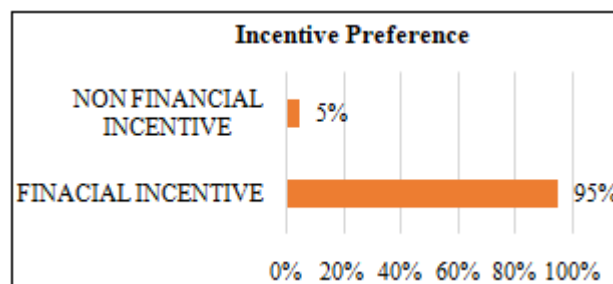
Out of 400 IT employees 25% employees are satisfied with provident fund, 23% are satisfied with the salary increment option, 21% are satisfied with the ESI option, 12% and 19% are satisfied with commission and bonus respectively and no one is satisfied with the retirement benefits. Almost all options of financial incentives are satisfying for IT employees, only retirement benefit is satisfactory for none, which shows the tendency of IT employees to quit the job within 10 years.

3) Types of Financial Incentive where the Employees are Most Satisfied



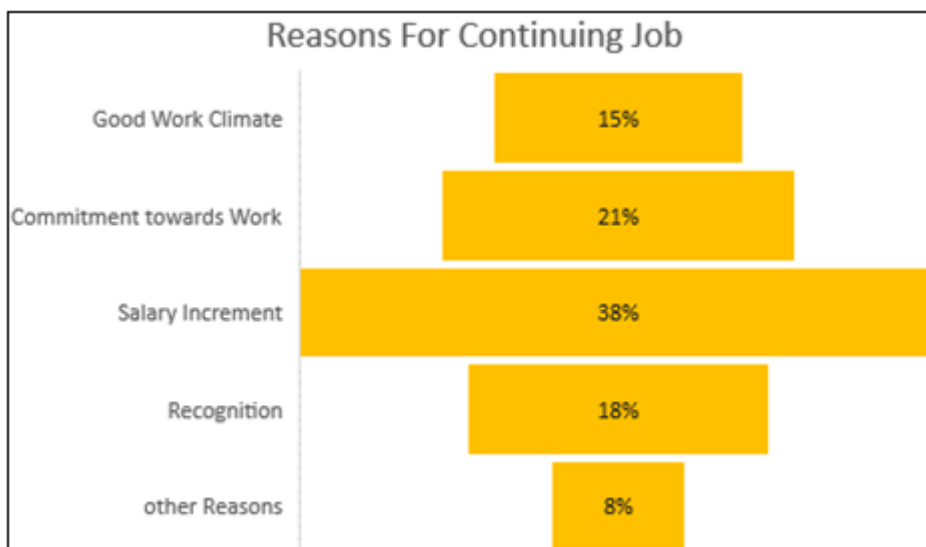
4) Most Preferred Incentive

Type of Incentive	Number of Satisfied Employees	Percentage
Financial Incentive	380	95%
Non - Financial incentive	20	5%



From the table and graph, it is clear that most of the employees; 380 out of 400 employees prefer for financial incentives and only 20 are motivated by non - financial incentive. It is clear from the study that most of the employees are finding financial incentive as a motivating factor over non - financial incentive.

5) Reasons for Continuing in Jobs



From the chart it is clear that salary increment is one of major reason for staying in the job among the IT employees, it constitutes 38% other major reasons are commitment and recognition. good work climate has only 15%. From this it is clear that incentives both financial and non financial plays a major role and commitment also have a important role in staying in the job.

#### 6) Chi - Square Test on the Independence of Incentives and Job Satisfaction

Two attributes namely 'incentives' and 'job satisfaction' has been selected and testing whether they both stand independent to each other

Ho: The two attributes namely 'incentives' and 'job satisfaction' are independent to each other; there is no association between them.

Chi square calculated value is 4.777

Level of significance: 5%

Degree of freedom: 1

Table value is 3.841

Since the calculated value is more than the table value, we reject the null hypothesis; the two attributes namely 'incentives' and 'job satisfaction' are not independent, which means they are associated. The two attributes namely incentives and job satisfaction are associated or they are connected

## 5. Conclusion

Based on the study, it is clear that incentives; both financial and non - financial incentives have an important impact on the IT employees, even salary increment motivates the employees to a large extend. While considering the financial incentives employees are showing satisfaction towards bonus, commission, salary increments, ESI and PF, which means that whatever be the type of financial incentive, employees will be satisfied by receiving any of the above financial incentive. While considering the non - financial incentives, respondents are showing satisfaction towards all kind of non - financial incentives. Study also shows that incentives also plays a major role in retaining the quality personnel in the organisation. When comparing financial and non - financial incentives, most of the IT employees are opting for financial incentives over non - financial incentives. Study shows that IT employees are motivated by both financial and non - financial incentives, and they are more satisfied with financial incentives which shows that if the organisation tries to provide more incentive, especially financial incentives, they can retain the hardworking, loyal and happy employees who are really motivated and eventually this leads to increased productivity and overall growth of the organisation. It is better for the organisation to spend some more amount to provide some kind of incentives than spending huge amount on the expenses of huge labour turnover, new employees recruitment, training, development etc. it is clear from the study that employees are motivated by any means of incentives whether it is financial or non - financial, it is creating a positive impact in the minds of employees as the financial incentives helps them to meet their monitory needs where as the non - financial incentives boost their confidence and in both cases employees become more loyal to company, they are ready to work harder for the

company and they are showing more tendency to remain in the organisation for long.

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