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## **Impact of Effective Reward System on Employees' Performance in Asian Paints Pvt. Ltd, Chennai**

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### **ABSTRACT**

Reward system refers to all the monetary, non-monetary and psychological payments that an organisation provides for its employees in exchange for the work they perform. Rewards schemes may include extrinsic and intrinsic rewards. The objective of the study is to analyse the impact of effective reward system on employees performance in PPG Asian Paints Pvt.Ltd, Chennai. The study based only on the opinion and expectation of consumer. Total number of sample taken for the study is 132 respondents. Convenience sampling techniques were used for the study. Primary data and secondary data have been used in the study. Simple percentage analysis, chi square analysis and correlation analysis have been applied in this study to reach the finding of the study. It is found that there is some significant relationship between the gender of the respondents and existing reward system in the company. It is suggested that the company must maintain the environment without stress for the employees as well as there must be proper work life balance among the employees. It is concluded that there can be link between rewards and employee motivation in the concern. The goal of rewards is to incentivize the employees to improve the organization's results.

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### **INTRODUCTION**

#### **HR Meaning**

Human Resource Management is a management function concerned with hiring, motivating, and maintaining the workforce in an organization. Human resource management deals with issues related to employees such as hiring, training, development, compensation, motivation, communication, and administration. Human resource management ensures the satisfaction of employees and a maximum contribution of employees to the achievement of organizational objectives.

According to Armstrong, Human Resource Management can be defined as "a strategic approach to acquiring, developing, managing, motivating and gaining the commitment of the organization's key resource – the people who work in and for it."

#### **Nationalisation**

Nationalisation may affect employment within those services that private companies are likely to terminate due to unprofitability, for example, a nationalised railway service is more likely to maintain staffing for quiet, rural services and stations, whereas private owners are more likely to remove the less profitable. Nationalisation helps to prevent exploitation by foreign and private firms in the country. Citizens will benefit when the government takes control of a firm because the government may supply the same service for free or at a reduced cost.

#### **Globalisation**

When a business expands its operation into other countries, the impact of globalization on human resource development and management is significant. Companies need to consider a diverse range of practical adjustments to be able to hire, train, retain and support a workforce that's often spread throughout several countries, which often have varying cultural identities. Human Resources departments must adapt their thinking and practices to include cultural differences, foreign regulations and technological developments.

#### **Reward System**

Employee rewards are incentives given to staff members based on individual performance, team performance, or the overall performance of the organization. These rewards may come in the form of commission payments, one-time bonuses, pay raises, stock options, and "swag" such as corporate discounts, sporting event tickets, and extra time off.

Reward is an objective way to describe the positive value an individual ascribes to an object, behavioral act or an internal physical state. Primary rewards include those that are necessary for the survival of species, such as food and successful aggression. Secondary rewards can be derived from primary rewards. Money is a common type of reward. Most of the times, organization rewards its staffs by pay increment or higher bonus. Money is the most direct and easiest way to reward the staff and create a sense of satisfaction.

Nowadays, companies are making many modifications on their rewards system to adopt internal and external changes. Reward system is used as a critical tool for driving [business growth](#) and boosting staff morale. It is important to align the right measures and reward systems with firm's structure and culture.

However, the reward system is not emphasized when the operational system is designed. Financial and HR systems are prioritized in the organization. The firm needs to be aware of the importance of the reward system and spend enough manpower and resources to design a decent reward system.

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## Objectives of Reward System

To design an efficient reward system, the organization needs to fully understand the definition and meaning of reward system. It also needs to setup a clear objective for its reward system.

These are five key objectives that can be achieved by applying reward system.

### 1) Attraction and Retention:

Research shows that reward system can directly affects the job choice, [career choice](#) and turnover rate of the organization. Organization's that give the highest rewards tend to attract and retain more people. This indicates that the better reward system can give a higher satisfaction level to employee. The higher satisfaction level will lead to a longer length of service and reduce organizational turnover rate.

However, it is very costly to maintain a higher reward system. This will increase the labor cost of the organization. In certain organization, the labor cost covers 50% of overall operational cost. In addition, if all employees are awarded in the same level, it can cause feelings of inequity because the better performers are likely to feel inequitably treated when they are rewarded at the same level as poor performers in the same organization.

### 2) Motivation of Performance:

When certain conditions exist, reward systems have been demonstrated to motivate performance. The reward system must be directly link to the effective performance. Staffs should be rewarded according to their needs. Once the staff is rewarded for their outstanding performance, they will further improve their work process. The effect of this reward system depends on the situation and the needs of people. There are three factors that can affect the motivation effect by using reward system.

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## Objective of this research:

### Primary objective

- To study on the impact of effective reward system on employees performance in PPG Asian Paints Pvt.Ltd, Chennai.

### Secondary objectives

- To understand the employee's perception towards existing reward system in the company
- To measure the level of satisfaction towards intrinsic rewards in the organisation
- To measure the level of satisfaction towards extrinsic rewards in the organisation
- To ascertain the impact of reward system on the employee's motivation

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## Review of literature

**Brookes, M (2015)** Reward systems are identified as one of the human resource management (HRM) practices that may impact motivation. Reward systems may consist of several components, including financial and nonfinancial rewards, in fixed and variable amounts. Reinforcement, expectancy, and equity principles are discussed to explain why reward systems have motivating properties. The influence of reward systems on motivation is not straightforward, because the psychological meaning of pay has to be taken into account. Each system may have unintended consequences because of the psychological interpretation of the rewards. In an international context, it is reasonable to assume that cultural differences affect the interpretation and meaning of reward systems, as the values that affect their meaning may differ between cultures

**Dr. Baskar, Prakash Rajkumar. K. R, (2015)** studied that a variety of factors influence employee motivation and satisfaction. It was also significant to discover that there is a direct and positive relationship between rewards and recognition and job satisfaction and motivation. Hence, if rewards and recognition offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction. The direct translation of this could be that the better the rewards and recognition, the higher the levels of motivation and satisfaction. In the event of major inconsistencies, especially for emotional conflicts between performers and non performers, the organization should make an effort to re- assess and rectify this situation.

**Alina-Georgiana Iancu (2016)** says that the most important finding of the study is that a large part of employees agree that recognition motivates and influence the performance. In summary, recognition can be a powerful tool used to motivate employees. It is desired by employees and significantly increase their performance. Some suggests that social rewards, such as recognition may affect employee performance to the same level as payment.

**Keiningham, Munn, and Evans (2018)**, “both practitioners and academics have accepted the premise that buyer perception results in buyer behavior patterns that positively affect business results.” While it is highly argued that retaining current buyers is easier than attracting new ones, as it would normally cost 20 times more to attract new buyers rather than keeping existing ones per Carson Research Consulting, Inc

**Pierce, L. and Gino, F (2017)** Reward systems need to be able to fit into the organization’s operation system. It will directly affect the [effectiveness of the organization](#) and employee’s working experience.

Therefore, it is crucial to design a reward system based on the type of the industry and the setup of the organization. In many large organization’s, the reward system is not solely adopted from the book.

## RESEARCH METHODOLOGY

### CHI-SQUARE ANALYSIS

#### RELATIONSHIP BETWEEN THE GENDER OF THE RESPONDENTS AND EXISTING REWARD SYSTEM IN THE COMPANY.

#### HYPOTHESIS TESTING

##### Null hypothesis (H<sub>0</sub>):

There is no significant relationship between gender of the respondents and existing reward system in the company.

##### Alternative hypothesis (H<sub>1</sub>):

There is some significant relationship between the gender of the respondents and existing reward system in the company.

#### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
<b>GENDER OF THE RESPONDENTS ANDEXISTING REWARD SYSTEM IN THE COMPANY.</b>	132	100.0%	0	.0%	132	100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	127.390 <sup>a</sup>	20	.000
Likelihood Ratio	159.585	20	.000
Linear-by-Linear Association	98.113	1	.000
N of Valid Cases	132		

a. 35 cells (83.3%) have expected count less than 5. The minimum expected count is .32.

#### INTERPRETATION:

As per the above table, it is inferred that the P value is 0.000. it is not significant to 5% (0.05) significant level. The minimum expected count is 0.32. Thus alternative hypothesis is accepted and it is found that there is some significant relationship between the gender of the respondents and existing reward system in the company.

### CORRELATION ANALYSIS

#### RELATIONSHIP BETWEEN THE AGE OF THE RESPONDENTS AND SATISFACTION TOWARDS FINANCIAL REWARDS IN THE ORGANISATION

**Correlations**

		AGE OF THE RESPONDENTS	FINANCE
AGE OF THE RESPONDENTS	Pearson Correlation	1	.952**
	Sig. (2-tailed)		.000
	N	132	132
FINANCE	Pearson Correlation	.952**	1
	Sig. (2-tailed)	.000	
	N	132	132

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**INTERPRETATION:**

The Above table indicates that out of 132 respondents, co-efficient of correlation between the age of the respondents and satisfaction towards financial rewards in the organization is .952. It is below 1. So there is positive relationship between the age of the respondents and satisfaction towards financial rewards in the organization.

**ONE WAY ANOVA TEST****SALARY OF THE RESPONDENTS AND LEVEL OF SATISFACTION TOWARDS FINANCIAL REWARDS**

Impacts on **Level Of Satisfaction Towards Financial Rewards**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1553.719	3	517.906	46.602	.000
Within Groups	1422.523	128	11.113		
Total	2976.242	131			

**INTERPRETATION**

The table clearly shows that age of the respondents in the impact on level of satisfaction towards financial rewards has a figure on 46.602 values and significance around .000 levels, than the sum of squares within group between group's values have 1422.523 and 1553.719 respectively. Hence, the significant value is less than 0.050 for which the significant percentage is above 95%, hence rejecting null hypothesis. Thus, accepting alternative hypothesis i.e., There is some impact of age of the respondents on level of satisfaction towards financial rewards.

**REGRESSION ANALYSIS****RELATIONSHIP BETWEEN EXPERIENCE OF THE RESPONDENTS AND IMPACT OF REWARD SYSTEM ON THE EMPLOYEES MOTIVATION**

**Variables Entered/Removedb**

Model	Variables Entered	Variables Removed	Method
1	EXPERIENCE OF THE RESPONDENTS <sup>a</sup>		Enter

- All requested variables entered.
- Dependent Variable: Impact Of Reward System On The Employees Motivation

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 <sup>a</sup>	.825	.823	2.10206

a. Predictors: (Constant), Experience of the Respondents

From the above table it clearly shows that the regression value of R is .908 (i.e) there is an impact on Impact of Reward System on the Employees Motivation. The coefficient of the relation explains that the R square value is .825; which mean 82.5% of respondents was Impact of Reward System on the Employees Motivation.

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2702.568	1	2702.568	611.628	.000 <sup>a</sup>
	Residual	574.424	130	4.419		
	Total	3276.992	131			

a) Predictors: (Constant), Experience of the Respondents

b) Dependent Variable: Impact Of Reward System On The Employees Motivation

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.533	.382		6.631	.000
	EXPERIENCE OF THE RESPONDENTS	4.542	.184	.908	24.731	.000

a. Dependent Variable: Impact Of Reward System On The Employees Motivation

**Interpretation:**

The F statistic value is 611.628 with p value (p = 0.000) were less than alpha value (0.05). This means the independent variables experience of the Respondents simultaneously affected the dependent variables impact of reward system on the employees motivation. The coefficient of determination (R Square) of regression model is .825. The P value was less than the alpha value (0.05). This shows that there is significant positive relationship between experience of the respondents and impact of reward system on the employees motivation.

**FINDINGS**

- 68.2% of the majority of the respondents are male.
- 37.9% of the respondents are in the age group of 21-30 years.
- 33.3% of the respondents have completed graduate degree.
- 42.4% of the respondents have Rs.10, 001- 20,000 as their income level.
- 50.8% of the respondents have below 5 years of experience.
- 40.2% of the respondents are production executives.
- 47.0% of the respondents expect piece work scheme expect other reward system from the company.
- 43.2% of the respondents said that satisfied towards the motivational techniques in the company.
- 47.0% of the respondents are strongly agree towards the top level management contribute to motivate the employees in the organization.
- 42.4% of the respondents said that good towards the existing reward system matched with employee's performance.
- 52.3% of the respondents said that excellent towards existing reward system achieve goals of the organization.

- 19.7% of the respondents said that average towards the existing reward system complies the legal regulation.
- 50.8% of the respondents said that good towards the existing reward system commensurate with industry norms.
- 34.1% of the respondents said that excellent towards the existing reward system irrespective of bias in the organization.
- 55.3% of the respondents said that satisfied towards the referral allowance.
- 37.1% of the respondents said that highly satisfied towards the wage incentives.

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## CONCLUSION

Every organizational design must include a fair reward system. The degree to which they integrate with the rest of the organization's systems has a significant impact on the organization's effectiveness and the wellbeing that its employees enjoy. The main objective of the research is to investigate the impact of rewards on the motivational level of employees. The questionnaire survey testified to the fact that employees feel the reward system as a tool to encourage and motivate them as well as it increases their productivity. The findings from the data collected showed that most participants favoured financial rewards and non financial rewards to motivate them. As a result, there is a consistent signal to management that employee performance may be improved through motivational events and various financial rewards. As a result, there can be link between rewards and employee motivation in the concern. The goal of rewards is to incentivize the employees to improve the organization's results.

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