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The Impact of Reward System on Employee Job Performance: A Case of Commercial Banks in Putrajaya

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ABSTRACT

This study examined the relationship between reward systems and employee job performance in commercial banks operating in Putrajaya, Malaysia. Guided by a conceptual framework linking four independent variables - bonus/incentives, recognition, healthcare benefits, and promotion - to employee performance, the study adopted a quantitative, descriptive research design. A structured questionnaire using a five-point Likert scale was distributed to employees of eight commercial banks in Putrajaya (Affin Bank, Alliance Bank, AmBank, CIMB Bank, MBSB Bank, Maybank, Muamalat Bank, and RHB Bank), from a population of 200 employees. Of 127 questionnaires distributed, 121 were validly completed and analysed using SPSS. The instrument demonstrated strong internal consistency (Cronbach's alpha = 0.902) and satisfactory validity (Pearson correlation, $p < .05$ for all items tested). Regression analysis showed that bonus/incentives ($R2 = .341$, $F(3,116) = 20.002$, $p = .000$) and recognition ($R2 = .321$, $F(5,115) = 10.876$, $p = .000$) had statistically significant positive relationships with employee job performance, whereas healthcare benefits ($R2 = .037$, $F(4,116) = 1.128$, $p = .347$) and promotion ($R2 = .065$, $F(4,116) = 2.015$, $p = .097$) did not reach significance. The findings suggest that commercial banks should prioritise financial incentives and formal recognition practices, while continuing to invest in healthcare and promotion structures as complementary, longer-term retention tools, to cultivate a high-performance culture.

1. INTRODUCTION

In today's extreme business environment, organisations continuously look for new ways to remain competitive and to create unrivalled customer-focused products and services. Because customers, both internal and external, prioritise businesses that can deliver superior products and services at lower cost, employees must be persuaded to give their best. People are widely regarded as the most valuable asset of any organisation, yet because of their unique wants and behaviours, they are also the most challenging resource to manage. Attracting and retaining qualified employees while keeping them highly motivated has become a significant challenge, particularly as employers ask staff to accomplish more with less while employees expect greater rewards in return. An effective reward system is one of the most successful methods used by leading companies to increase employee satisfaction, unlock creative potential, and improve responsiveness to client needs. Rewards may be extrinsic - tangible, financial benefits external to the task itself, such as bonuses, promotions, commissions and gifts - or intrinsic, encompassing non-financial recognition, opportunities to take on key projects, and leadership attention. Reward systems have long been part of the management process, although historically applied without formal standards; the rise of motivation theory has since encouraged organisations to design reward schemes deliberately to drive performance.

Employee underperformance represents a serious risk for organisations. Underperforming employees fail to meet supervisors' expectations, produce late or incomplete work, and burden colleagues who must pick up the slack. Left unaddressed, underperformance erodes service quality, damages customer perception, and ultimately affects company revenue; poor performance from even a single individual can also breed resentment that undermines teamwork. Job dissatisfaction and a lack of motivation are widely cited as root causes of declining performance, and research links a positive employee experience to substantially higher returns on assets and sales. Accordingly, a reward system that blends financial and non-financial incentives has become a critical lever of performance management, since it is the mechanism

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through which organisations signal that effort will be recognised and rewarded.

This study therefore investigated the relationship between reward systems and employee job performance among commercial bank employees in Putrajaya, Malaysia. Specifically, the objectives were to identify the influence of bonuses/incentives, examine the influence of recognition, study the influence of healthcare benefits, and determine the influence of promotion on employee performance. The corresponding research questions asked whether each of these four reward dimensions can influence employee performance. By empirically testing these relationships in the Malaysian commercial banking context, the study aims to help banks adopt a more systematic and structured approach to recognising employee effort, thereby fostering a high-performance culture, and to provide a reference point for future researchers examining reward systems and employee performance.

The banking sector is a particularly relevant setting for this inquiry. Commercial banks operate in a highly competitive, service-intensive environment where front-line employee behaviour directly shapes customer experience, and where access to technology and global financial markets has intensified competition for skilled talent. In such a setting, the case for a well-designed reward system is not purely theoretical: it speaks directly to a bank's ability to attract, motivate and retain the executive-level staff who deal with customers daily. This study contributes to the literature by testing the reward-performance relationship empirically within eight commercial banks in Putrajaya, a setting that has received comparatively little direct attention in the Malaysian human resource management literature, and by disaggregating the reward construct into four distinct, individually testable dimensions rather than treating rewards as a single undifferentiated variable. The remainder of this article reviews the relevant literature and conceptual framework, describes the research methodology, presents and discusses the empirical findings, and concludes with practical recommendations for bank management.

2. Literature Review

An employee reward system comprises an organisation's systematic policies, procedures, and structures for recognising employees based on their contribution, ability, potential and market value; it is designed to attract, retain and inspire employees, and must be tailored to individual needs since people are motivated differently - some by a bonus, others by recognition or promotion. Rewards are commonly classified as intrinsic or extrinsic. Intrinsic (non-financial) rewards are psychological in nature, encompassing achievement, autonomy, responsibility, growth, status, and praise from supervisors and peers, whereas extrinsic rewards are monetary incentives such as pay, bonuses, retirement benefits and health insurance. Although it is difficult to determine which type of incentive matters more, the two can coexist productively within an organisation when properly balanced. Employees who feel they have been fairly compensated for their talent, expertise and involvement are more satisfied and perform better; frequent distribution of rewards and acknowledgment has been shown to sustain performance, build a sense of accomplishment, and support career progression. Employee performance itself is generally assessed through indicators such as output quantity, output quality, timeliness and productivity, and is shaped substantially by the reward practices an organisation adopts (Mehmood, Ramzan, & Akbar, 2013).

Bonuses are remuneration paid above an employee's basic salary in recognition of exceptional performance over a given period, and are intended to motivate employees to outperform their peers. Incentive schemes have consistently been found to raise productivity: an early study of 86 institutions found that 83% of respondents agreed incentive schemes strongly enhanced employee productivity, and monetary incentives have historically been shown to improve vigilance and task performance under controlled conditions (Bergum & Lehr, 1964). Financial incentives are most effective when a clear connection exists between effort and reward, and when the size of the reward justifies the effort involved; combined with feedback and social recognition, financial incentives produce the largest gains in task performance. Recognition, meanwhile, functions as a natural behavioural reinforcer distinct from monetary reward: once critical performance behaviours are identified and measured, recognition can be applied contingently to strengthen and accelerate those behaviours. Employees use recognition and appreciation to gauge how well they are performing, and formal, visible recognition - delivered in front of peers - motivates not only the recipient but also colleagues who aspire to similar acknowledgment.

Healthcare benefits are policies and initiatives that promote and sustain employee wellbeing. Employees who value the benefits attached to their jobs are more likely to work hard to retain them, and access to wellness facilities such as gym memberships has been associated with improved mood, concentration and ultimately performance. Because healthcare costs continue to rise, organisations face real trade-offs between wage competitiveness and benefit provision, and a reluctance to invest in employee health can depress both wellbeing and productivity. Promotion, the most common form of internal staff mobility, is used as a reward for improved performance sanctioned by the organisation; it typically brings higher salary, status and responsibility, and is linked to increased morale, loyalty and productivity when designed and communicated well. Employees who believe their efforts will translate into promotion tend to work harder, and management practices that offer equitable promotion opportunities are considered important for accelerating overall performance. Prior empirical work in banking settings - including studies of reward systems in Bangladeshi commercial banks (Aktar, Sachu, & Ali, 2012) and in a Sri Lankan commercial bank (Partheepknath, 2011) - has similarly reported that reward practices are positively associated with employee motivation and performance, lending support to the present study's focus on the Malaysian commercial banking sector.

Drawing on this body of literature, a conceptual framework was developed linking four independent variables - incentive/bonus, recognition, healthcare benefits, and promotion - to the dependent variable of employee performance, on the premise that human resource practices such as reward systems shape organisational commitment, productivity and financial outcomes (Huselid, 2002; Bhatti & Qureshi, 2007; Kerrin & Oliver, 2002). Employee motivation research more broadly supports this framing: perceived leadership behaviour, work motivation and workplace exchange relationships have each been linked to employee satisfaction, commitment and performance outcomes (Kent & Andrew, 2007; Azar & Shafighi, 2013; Farrell & Rusbult, 1981), while human resource practices in other Asian markets have similarly been shown to shape organisational commitment and performance (Adhikari, 2005; Agrawal, 2003; Gautam, 2011). Motivation and reward are also understood to spill over into customer-facing outcomes: motivated employees in service industries such as airlines have been found to deliver higher customer satisfaction (Ahmad, Wasay, & Malik, 2012), reinforcing the relevance of reward systems for service-intensive sectors such as commercial banking, where employee performance is difficult to separate from the quality of service ultimately experienced by customers (Elger, 2007).

This translated into four directional hypotheses: H1, there is a relationship between incentives/bonus and employee performance; H2, there is a relationship between recognition and employee performance; H3, there is a relationship between healthcare benefits and employee performance; and H4, there is a relationship between promotion and employee performance, each tested against a corresponding null hypothesis of no relationship. Together, these hypotheses operationalised the conceptual framework and provided the basis for the quantitative analysis reported in the following sections.

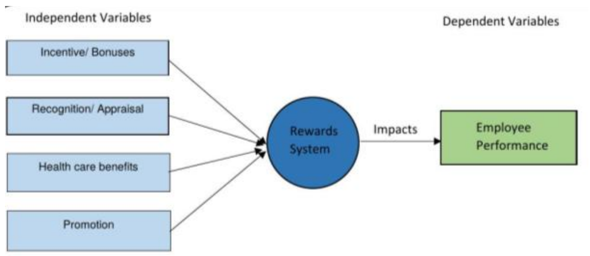

Fig. 1. Conceptual framework of the study

3. METHODOLOGY

The study adopted a quantitative, descriptive research design using a structured questionnaire, considered appropriate for detecting characteristics of a large population from a representative sample. The target population comprised 200 employees across eight commercial banks operating in Putrajaya - Affin Bank (27), Alliance Bank (24), AmBank (23), CIMB Bank (28), MBSB Bank (21), Maybank (30), Muamalat Bank (23) and RHB Bank (24) - from which a sample of 127 employees at executive level and above was drawn using a combination of purposive and systematic sampling. A total of 127 questionnaires were distributed by email and WhatsApp, following approval from the respective heads of department, and 121 were returned correctly completed, representing a 95.3% effective response rate. Purposive sampling was used first to restrict the frame to executive-level employees and above, on the basis that this group was best placed to evaluate the reward-performance relationship from direct experience, after which a systematic sampling procedure was applied within each bank's employee listing to select respondents at regular intervals, thereby introducing an element of randomisation into an otherwise judgement-based sampling frame.

The questionnaire comprised seven sections covering respondent demographics, employee performance, and the four independent variables (bonus/incentives, recognition, healthcare benefits, and promotion), using five-point Likert-scale items. Data were analysed in SPSS using descriptive statistics (frequencies, percentages, means and standard deviations) to profile respondents and summarise item-level responses, and Pearson correlation and multiple linear regression to test the relationship between each independent variable and employee performance. Instrument reliability was assessed using Cronbach's alpha across 20 items, based on 120 valid cases out of 121 collected (99.2% valid, with one case excluded through listwise deletion), yielding an alpha of 0.902 - well above the conventional 0.60 threshold and indicating a high level of internal consistency across the pooled item set. Construct validity was assessed using Pearson product-moment correlation of individual items against the total score; all items examined correlated significantly with the total score at the 2-tailed level ($p = .000 < .05$), confirming the instrument's validity. Together, the reliability and validity results indicated that the questionnaire was a sound instrument for measuring the constructs of interest and that subsequent inferential analysis could proceed with confidence in the underlying data quality.

4. RESULTS AND DISCUSSION

Of the 121 valid respondents, 55.4% were female and 44.6% were male. The largest age group was 25-30 years (33.1%), followed by 46-50 years (20.7%), 36-40 years (19.0%), 31-35 years (15.7%), and 41-45 years (11.6%). The sample was predominantly Malay (90.1%), with Chinese (9.1%) and Indian (0.8%) employees also represented. By marital status, 58.7% were married with children, 36.4% were single, 4.1% were married without children, and 0.8% were single parents. In terms of monthly income, 33.1% of respondents earned between RM2,001 and RM4,000, 26.4% earned RM2,000 or below, 23.1% earned between RM4,100 and RM6,000, and 17.4% earned RM6,100 or above.

Table 1. Regression Results for Reward Dimensions on Employee Job Performance

Reward Dimension	R	R^2	Adj. R^2	F	p	Result
Bonus/Incentives (H1)	.584	.341	.324	F(3,116)=20.002	.000	Supported
Recognition (H2)	.567	.321	.292	F(5,115)=10.876	.000	Supported
Healthcare Benefits (H3)	.194	.037	.004	F(4,116)=1.128	.347	Not supported
Promotion (H4)	.255	.065	.033	F(4,116)=2.015	.097	Not supported

Note. Critical F-value = 2.35 at $\alpha = .05$.

On the dependent variable, the item 'the rewards system in the organisation is important to boost my job performance' recorded the highest mean ($M = 4.12$, $SD = .635$), while 'my job performance depends on the reward system' recorded the lowest mean (M = 3.55, SD = 1.008), suggesting employees valued reward systems highly in principle even if they did not see their own performance as wholly contingent on it. For bonus/incentives, 'the bonuses/incentives motivate me to perform a high-level job performance' had the highest mean (M = 4.21, SD = .503) and 'I work more when I know there is a bonus/incentive for exceeding work targets' the lowest (M = 3.91, SD = .885). For recognition, 'recognition gives a positive influence towards my job performance' scored highest (M = 4.13, SD = .577), while 'recognition with customised T-shirts, certificates and gold nameplates' scored lowest (M = 3.62, SD = .924), indicating that symbolic tokens were valued less than recognition of contribution generally. For healthcare benefits, 'healthcare benefits focusing on mental health wellbeing can increase productivity' scored highest (M = 4.08, SD = .702) and 'healthcare benefits help to improve my health' scored lowest (M = 3.87, SD = .706). For promotion, 'I am happy and satisfied if I got a promotion' scored highest (M = 4.10, SD = .597) and 'changes from casual staff to permanent staff' scored lowest (M = 3.88, SD = .791).

Four separate multiple regression models were run, each using items measuring the respective independent variable as predictors of the item 'my job performance depends on the reward system'. For bonus/incentives (H1), the model produced R = .584, R2 = .341, adjusted R2 = .324, and was statistically significant, F(3, 116) = 20.002, p = .000 < .05. As the computed F-value exceeded the critical value of 2.35, the null hypothesis was rejected: bonus/incentives had a statistically significant positive relationship with employee job performance. For recognition (H2), the model produced R = .567, R2 = .321, adjusted R2 = .292, and was likewise significant, F(5, 115) = 10.876, p = .000 < .05, again exceeding the critical F-value and supporting rejection of the null hypothesis; recognition was significantly and positively related to employee performance. Substantively, this indicates that roughly one-third of the variance in the performance item was jointly explained by the bonus items and a similar proportion by the recognition items, which for single-construct survey-based models represents a moderate and practically meaningful effect size. For healthcare benefits (H3), the model produced R = .194, R2 = .037, adjusted R2 = .004, and was not statistically significant, F(4, 116) = 1.128, p = .347 > .05, which was below the critical F-value of 2.35; the null hypothesis could not be rejected, indicating no statistically significant relationship between healthcare benefits and employee performance in this sample. For promotion (H4), the model produced R = .255, R2 = .065, adjusted R2 = .033, and was also not statistically significant, F(4, 116) = 2.015, p = .097 > .05, again below the critical value, so the null hypothesis could not be rejected for promotion either.

Taken together, the results indicate that bonus/incentives and recognition were the two reward dimensions most strongly and significantly associated with employee job performance among the commercial bank employees surveyed, consistent with prior evidence that financial incentives combined with social recognition produce the largest gains in task performance, and with findings from other commercial banking contexts that reward practices meaningfully shape employee performance and motivation (Aktar, Sachu, & Ali, 2012; Partheepknath, 2011). That employees responded positively when bonuses and recognition were present, and that the ANOVA results corroborated this pattern, suggests that Putrajaya's commercial banks would benefit from strengthening performance-linked bonus schemes and formal recognition programmes as levers for improving day-to-day performance. By contrast, the non-significant results for healthcare benefits and promotion do not imply these reward types are unimportant; rather, their influence on performance in this sample may operate indirectly, through satisfaction, retention and long-term commitment rather than a direct, immediate effect on job performance, consistent with the view that exchange-based rewards, costs and alternatives interact in complex ways to shape employee outcomes (Farrell & Rusbult, 1981).

5. CONCLUSION

People remain the most crucial resource for organisations seeking to stay competitive, and finding and retaining a suitable workforce is a persistent managerial challenge. This study examined the relationship between four dimensions of reward - bonus/incentives, recognition, healthcare benefits and promotion - and employee job performance among 121 employees of eight commercial banks in Putrajaya. The results showed that bonus/incentives and recognition were statistically significant, positive predictors of employee job performance, while healthcare benefits and promotion, though positively valued by employees descriptively, did not show a statistically significant relationship with the performance measure used in this study. Since employee satisfaction and motivation represent the most important input for service-based organisations such as commercial banks, managers must carefully decide which combination of reward instruments to prioritise in order to sustain a high-performance culture.

Based on these findings, bank managers are advised to maintain a deliberate balance between intrinsic and extrinsic motivational strategies rather than relying on any single reward type, since both categories influence different aspects of employee behaviour. In practice, this means sustaining performance-linked bonus schemes and visible, peer-facing recognition programmes as near-term performance levers, while continuing to invest in healthcare benefits and clear, equitable promotion pathways as longer-term tools for satisfaction and retention. Management should also establish feedback mechanisms to monitor how each reward element is being received by employees, enabling timely adjustment of motivational strategies that are not appropriate for, or valued by, the workforce. Future research could extend this study by broadening the sample beyond Putrajaya, incorporating additional reward dimensions, and testing employee performance against objective performance indicators rather than self-reported measures alone.

This study is not without limitations. The sample was confined to eight commercial banks in a single administrative district, employee performance was measured through self-reported survey items rather than supervisor ratings or objective output data, and the cross-sectional design captures only a single point in time rather than change in performance following reward interventions. Notwithstanding these limitations, the study offers commercial banks in Putrajaya, and by extension similar service-sector organisations, empirically grounded evidence that bonus/incentive schemes and formal recognition practices are the reward levers most closely associated with day-to-day employee performance, and that healthcare and promotion, while still valued by employees, should be framed primarily as retention and wellbeing investments rather than as short-term performance drivers. Future studies could usefully replicate this design across a larger, multi-region sample of Malaysian banks to test whether the pattern of significant bonus and recognition effects, alongside non-significant healthcare and promotion effects, generalises beyond the Putrajaya context studied here.

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