

Examining the effect of Employee Motivation on Profitability of commercial banks in Uganda: A Case Study of Centenary bank in Kabale Branch

Alex Akankwasa, Teddy Akakikunda, Peace Turyomurugyendo

Correspondence

Alex Akankwasa Faculty of Economics and Management Sciences Kabale University.

Teddy Akakikunda Faculty of Economics and Management Sciences Kabale University Peace Turyomurugyendo Faculty of Arts and Social Sciences Kabale University

Abstract: Centenary Bank Kabale Branch served as the case study for the study on commercial banks' profitability and staff motivation. The goals of the research project were to develop motivational strategies that Centenary Bank might apply, identify the variables affecting employee morale and commercial banks' profitability, and ascertain the connection between these variables and profitability in Centenary Bank. The results of the study showed a strong correlation between commercial banks' degree of profitability and a motivation system that works. According to the report, in order to keep their employees motivated and dedicated to their jobs, commercial bank employees need to be offered competitive wages and compensation. A sample of 200 respondents was used in the research study, which employed an explanatory research design. Simple random sampling and purposeful sampling were two of the sample methods used. The procedure of gathering the data involved the use of questionnaire and interview guides. Both SPSS V17 and Microsoft Excel were used to examine the data. According to the results, there is a strong link between commercial banks' profitability and staff motivation. The management of Centenary Bank must therefore devise a variety of measures to guarantee that its personnel can maintain a high level of motivation, which will ultimately aid the bank in achieving its aims and objectives, including maximizing profits and retaining clients. In order to increase job happiness, the report advises that employers make sure that workers are paid on time, receive allowances and other benefits, and endeavor to create a positive work atmosphere.

Keywords; Employee motivation, Profitability, Theories of motivation, intrinsic and extrinsic motivation

1.1 Background to the study

According to Ndiwalana Fredrick (2012), employee motivation results in higher performance and proper accomplishment of the organization's goals. This is so that employees will continue to be more committed and dedicated, which is a requirement for modern organizations.

In their study on the changing workplace, Beer et al. (1984) make a strong case for the idea that organizations today have undergone a complete transformation. As a result, it is more crucial than ever for top management to implement fresh approaches to building enduring relationships between the organization and its workforce in order to achieve organizational objectives and meet the constantly evolving needs of both parties. Organizations must address and meet these expectations by having a comprehensive grasp of employees' motivation (Beer et al; 1984).

It is evident from the foregoing that good relationships between organizations and their workforce are a key to meeting both parties' requirements in a changing work environment. In order to forge strong bonds with employees, senior management's role is vital. One of the biggest challenges leaders have is ensuring that organizations meet the personal needs of their employees in order to motivate them to achieve the organization's goals. Employees work hard to obtain objectives including compensation, job stability, credit for their efforts, and responsibility at work, pleasant working conditions, and healthy interpersonal relationships.

According to Jensen (2000), fair compensation in the form of pay is a significant factor in employee motivation. This is so that their physiological, security, and egoistic demands can be satisfied. There are ongoing complaints about nonpayment, underpayment, and delayed payment in numerous organizations. Numerous companies pay how, when, and what they want. This could have an effect on employee motivation and business profitability.

The analysis took into account the factors commercial banks' profitability and staff motivation.

The Kabale Diocese and the Catholic Church founded the Kabale branch of Centenary Bank in 1987. With 20 clients, it began as a microfinance institution on the Kabale-Kisoro route in the Kabale Municipality. Since there are now 200,000 customers, the bank was obliged to relocate to new facilities along Kabale Katuna Road in Kigongi.

2.0 Related Literature Review

2.1 Motivation Techniques Employed by the Commercial Banks

According to Daft (1997), there are four different types of motivation, including positive motivation, which involves properly appreciating employees' efforts and contributions to the organization's goal, negative motivation, which is based on threats, coercion, and force, intrinsic motivation, which is focused on the state of self-actualization and the satisfaction of completing something worthwhile, and extrinsic motivation, which is brought on by outside factors that Higher compensation, ancillary benefits including retirement plans, stock options, profit-sharing programs, and health and medical insurance are some examples of these external motivators.

Both incentives and recognition, according to Mc Coy (1992), offer a reward; however, incentives are seen to motivate performance while recognition is an expression of gratitude for a contribution made after the fact. Financial incentives play a significant role in compensation plans. By recognizing the achievements they have made, social acknowledgment gives workers a sense of worth. A ceremony that serves to legitimize and provide significant recompense could be used to present this acknowledgement.

According to Quick (1985), praise is a crucial technique for inspiring workers. This can be a very helpful way to provide a worker a sense of value in regard to the actual work being done, despite frequently being mostly overlooked by management in the workplace. In innumerable instances, it has been demonstrated that praise significantly boosts productivity. Productivity margins can easily decrease at a rapid rate if employees are not held accountable for their actions. While losing one's job is everyone's worst nightmare, one of a manager's biggest nightmares is losing key personnel.

Instead of firing workers who might improve their performance given the correct circumstances, a manager should go outside the box to identify other ways to discipline staff who lower productivity.

According to Richard L. (1997), most employees use money as an incentive. Recent research on the underlying nature of efficient human resource management has come to the conclusion that in many instances, motivation is influenced more by other crucial aspects than money. Numerous experts have noticed that employees do not generate more while on the job merely because they are paid more. In the end, it is not anticipated that staff members will continually determine the monetary value of each activity they take.

For instance, when employees send emails, approve documents, or perform other tasks, they do not keep track of their pay. It's simply not in our nature. The capacity to see projects through to completion is what drives good workers.

According to Bruce et al. (1999), coercion is the most overt form of motivation because it has an immediate impact when pain or other unpleasant consequences are avoided. Slavery is the use of excessive coercion. Although coercion is often used on convicts, students in mandatory education, members of the nuclear family (on children), and in the form of conscription, it is ethically repugnant in many philosophies. Without social safety networks, wage slavery, according to critics of contemporary capitalism, is unavoidable.

2.2 Factors influencing employee motivation and profitability of the Commercial Banks

In order to work more effectively, employees need motivation—a force that drives them to act, behave, and produce the necessary results. John P. Kohl and Paul S. Greenlaw (2006).

Even if there is no clear consensus on the "right" definition, work motivation can be broadly characterized as "a set of energetic variables that develop both within and outside of an individual's existence, to launch work-related behavior, and to influence its form, direction, intensity, and duration" (Hannagan, T. ; 2008)

The two categories into which factors impacting a person's work or which inspire workers are grouped are physiological features, such as dedication to the company, involvement at work, and workplace happiness, and mental affects. The other variables are made up of a person's behavior and character. Last are the situational factors, which include the workplace and attitude toward the job (Armstrong, M; 2006).

Fringe benefits:

Currently, most firms in Uganda provide a range of auxiliary benefits, depending on the employee's grade and position within the company. (2012) Fredric Ndiwalana For instance, in the early 2000s, the private sector started providing medical insurance to its employees. Even though there is no set foundation for granting this benefit, it is customary for employees who are higher up the management ladder to have access to top-notch healthcare with coverage for all members. (2012) The Ugandan Banker, volume 22, issue 1.

High pay:

Due to the recent robust expansion of the service sector, which has outpaced growth in both manpower and skill development, employers in this field have been increasing compensation. The largest rises in manager compensation over the previous ten years have been in the banking, insurance, and communications subsectors, yet these same subsectors have also experienced the highest rates of employee turnover. Other theories have been put out by many academics to explain motivation and how it functions. These are a few of the put forth theories.

Abraham Maslow's hierarchy of needs theory

A hierarchy of needs is required for employee motivation, according to Maslow. According to his theory, in order to be happy, a person must fulfill their requirements for psychological, safety, social, self-esteem, and self-actualization. His organizational design has made it simpler for staff members to comprehend what drives and satisfies their workforce, which in turn has aided financial institutions in expanding.

The X and Y theory was developed by Mc Gregory Douglas, a professor of human resource management in the United States. According to him, theory X states that in order for employees to apply effort in the direction of corporate goals, they must be terrified, under pressure, managed, and punished. He also assumed that people truly loved their jobs and treated them like recreation.

2.3 The role of employee motivation towards profitability of the Commercial Banks

J.S. Chandan asserts that there are four different types of motivation: intrinsic motivation, which is centered on the state of self-actualization and the satisfaction of accomplishing something worthwhile, extrinsic motivation, which is triggered by outside factors. Positive motivation entails properly appreciating employees' efforts and contributions to the organization's goal. The study will examine the types of motivation mentioned above to ascertain how external motivators in the form of incentives and prizes inspire centenary bank employees to boost their profitability.

These external motivators in a firm include things like a higher pay, benefits like stock options, profit-sharing plans, retirement plans, and health and medical insurance. pregnancy leave and compensated work are two examples (Chandan; 1987). For instance, Bill Gates, the richest man in the US and the owner of Microsoft Ware Company, the biggest and most successful software company in the world, encourages his workforce by giving them stock options. In addition to stock options, Gates motivates his staff by providing them with access to cutting-edge technology, flexible (but long) work hours, and even exercise centers on the grounds of a "campus" designed to resemble a university.

Furthermore, Microsoft's organizational structure, which is built around teams and groups, has increased the company's efficiency, and Gates' strategy for employee engagement is directly tied to this (Gareth R. Jones, etal; 2004). The benefits of external awards that are given to motivate employees in any firm tremendously aid to its production because employees have the guts or the inspiration to accomplish their jobs.

Financial incentives are widely used by employers as a motivational strategy. James (2006) looked on the efficacy of financial incentives. He found that alternative pay arrangements, such giving employees stock or other profit-sharing possibilities, are powerful motivators and improve employee performance. Private sector employees are encouraged to perform better through performance-based incentive schemes, but the same frameworks are flawed.

Financial incentives are management strategies that, in theory, boost a business' effectiveness by altering an individual's or a group's behavior. Reena et al. assert that all businesses use compensation, promotions, incentives, and other forms of rewards to entice employees to give their best efforts. Adeyinka et al. state that effective managers must consider compensation plans that take into account the value that companies place on each job, performance-based pay, personal or special allowances, fringe benefits, pensions, and other aspects (2007).

3.0 Research Methodology

3.1 Research design

A descriptive research strategy that included qualitative and quantitative methods was employed for the study.

3.2 Study population

There were 90 responders in the survey, all of them were managers. Customers of the Centenary Bank Kabale Branch, Credit Officers, and bank tellers.

3.3 sample size

Table 1: Respondents who participated in the study

Category	Number of respondents
Centenary managers	2
Credit officers	6
Bank Tellers	6
Support staff	4
Customers	2
Total	90

Source : Primary Data 2022

3.3 Sampling technique

Stratified random sampling, simple random sampling techniques, and purposeful sampling were all used in the study.

3.4 Data collection instruments

During the data collection phase of this research investigation, self-administered questionnaires and interview guides were used.

3.5 Types of Data

The study used both primary and secondary data as its data kinds.

3.6 Data Analysis

SPSS was used to code and process the altered data (Statistical Package for Social Scientists)

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Sex of respondents

Table4.1: Showing Distribution of the respondents by Sex

Respondents sex	Frequency (f)	Percentage (%)
Female	110	55
Male	90	45
Total	200	100

Source: Primary Data, 2022 According to the table above, 45% of respondents were men and 55% of respondents were women.

4.2 Marital status of respondents.

Table 4.2: Showing Marital Status

Marital Status	Frequency (f)	Percentage (%)
Single	70	35
Married	120	60
Widow(er)	10	05
Total	200	100

Source: Primary Data, 2022

From the above illustration 35% of the respondents were single, 60% married and 5% were widowed.

4.3 Age of the respondents

Table 4.3: Showing Distribution of respondents by Age

Age of the respondents (years)	Frequency(f)	Percentage %
20-30 years	50	25
31-40 years	70	35
41-50 years	45	23
51 and above	35	18
Total	200	100

Source: Primary Data 2022

It can be seen that 25% of respondents fell into the 20–30 age range, 35% between 31 and 40, 23% between 41 and 50, and 18% were over the age of 51.

4.4 Education level

Table 4. 4: Showing Education Levels of the Respondents

Education levels	Frequency (f)	Percentage (%)
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Certificate	30	15
Diploma	50	25
Degree	70	35
Masters Degree	40	20
PhD	10	05
Total	200	100

Source: Primary Data 2022

According to the graph above, 15% of respondents held a certificate-level qualification, 25% held a diploma, 35% held a bachelor's degree, 20% held a master's degree, and 5% held a PhD.

4.5 Motivation techniques Employed by Commercial Banks**Table 4.5: Motivation techniques Employed by Commercial Banks.**

Technique	Frequency	Percentage
Timely payment	60	30
Employee fringe benefits	40	20
Wages and salaries	45	23
Bonus payment	55	27
Total	200	100

Source: Primary Data 2022

The respondents suggested the motivational strategies listed above; 30% suggested that Centenary Bank implement prompt payment; 20% suggested employee fringe benefits; 23% suggested wages and salaries; and 27% suggested bonus payment as one of the strategies the bank might employ.

4.6 Factors Influencing Employee Motivation and Profitability of Commercial Banks.**Table 4.6: Showing Factors influencing Employee Motivation and Profitability of Commercial Banks.**

Factors	Frequency	Percentages
Better payments	56	28
Good working condition	46	23
Good management	55	27
Good leadership skills	43	22
Total	200	100

Source: Filed data notes, 2022

The factors influencing employee motivation were clearly stated in the above table: 28% exemplified that better payments influence motivation, 23% stated good working conditions, 27% came up with good management and 22% expressed good leadership skills.

4.7 The role of Employee Motivation towards Profitability of Commercial Banks**Table 7: Showing whether employee motivation plays a role in helping employees in organizations to perform their work**

Employee Motivation plays a role in helping employees in organizations to perform their work	Frequency	Percentage
Yes	150	75
No	50	25
Total	200	100

Source: Primary Data, 2022

The respondents shared their varied opinions on how important employee motivation is for commercial banks' levels of profitability. While 75% of them felt that motivation plays a significant role in profitability, 25% disagreed.

5.0 Conclusions and Recommendations

5.1 Conclusions

Employee productivity and commercial banks' profitability in Uganda, namely the Kabale branch of Centenary Bank, are strongly correlated. Every firm must prioritize employee motivation since it has a significant impact on the productivity of its human resources, which increases profitability.

Therefore, Centenary Bank needs to make sure that employee morale is constantly raised to increase their level of dedication and commitment. Increasing levels of client satisfaction will make it possible for the business to record high levels of profitability. Employees should receive wages and salaries that allow them to meet their basic needs, create a positive work environment, and improve industrial relations, all of which contribute to the management of labor and the issues that come with it, reduce strikes and other forms of industrial unrest, and reduce tardiness and high absenteeism. These have a significant impact on the productivity levels, subpar customer service, and declining customer base, all of which have an impact on the profitability of the Centenary Bank Kabale Branch.

5.2 Recommendations

The management of the Centenary Bank Kabale Branch may provide training to its human resources to help them learn new skills and methods of performing their jobs, establish rules and regulations for the workers, provide competitive wages and salaries to their staff, and also provide motivational strategies like offering them perks like allowances in order to keep them highly motivated. The bank will be able to accomplish this and maximize profits as a whole.

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