

Monetary and non monetary incentives in LIC of India and its impact – a case study of Ranchi District

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Abstract

The purpose of the study was to ensure the impact of monetary and non-monetary incentives on agents in LIC of India, Ranchi. To indicate the difference of employee attitudes related to job satisfaction and incentives on some demographical variables. The results of the study indicated that extra pay, bonuses, a The results showed a significant effect of both monetary and non-monetary incentives for better job performance and inducement pay had a positive linkage with motivation, performance, and satisfaction.

Keywords: Monetary incentives, Job satisfaction, Job motivation, Work performance

Introduction

The success and failure of a business is very much dependent on the performance of its employees or in other words the performance of the human resource of the enterprise. A number of factors are supposed to have an influence on the performance of the employees. Of course, the incentives whether monetary or non-monetary otherwise are a direct motivation to the employees to perform to the best of their capacity. It provides a spur or zeal in the employees for better performance. An incentive is something that motivates an individual to perform an action. Therefore a hope for reward is powerful to motivate employees to perform better. Motivated employees are more satisfied employees which helps them to perform in more efficient manner and achieve the organizational goal. One of the several methods used to increase the motivation of employees is the incentive application. Incentives are generally developed to generate employee motivation, satisfaction, and greater performance. The link between the three variables has been widely discussed and debated among the researchers, scholars and practitioners (Lawler, 1971; Latham, 2007). They argue that the effectiveness of incentives for reaching higher behavioural outcomes of employees is based on the degree to which those incentives are perceived to fulfil or satisfy their needs

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It is very common at such premises that there are often monetary and non-monetary incentive applications in order to award the employees with a high performance level and to encourage the ones with lower performance levels for higher performance. The main purpose of such applications is to establish a fair

management structure within the premise to contribute to the motivations of employees as a social being and therefore to increase their productivity and efficacy by enhancing their job satisfaction levels. Now-a-days, at working sector with the advent of globalization the use of incentives by the employer's plays an essential role in workers satisfaction or company's effectiveness. How the employer's treat their employees is the most significant asset; therefore to encourage or to motivate workers is the key component of each and every organization. All the incentives either tangible or intangible is motivating or became the source for job satisfaction; as they help in changing the behaviour of workers. With the rise in organization's competition, it is required that workers should deal each and every aspect of their work with creativity and motivation which help in achieving the organization goals and perspectives. So in order to increase the level of interest in work, both monetary and non-monetary incentives are required that is associated with job satisfaction among employees.

Locke and Latham (2004) argued that even though the theories of work motivation exist and shed some light on employee motivation, they all have some limitations, and thus, our understanding and knowledge of what motivates employees is still very much incomplete. Thus, understanding what motivates employees to work near or at the highest level is a critical issue for all organizations. It is believed that an employee's behaviour is influenced by the different types of incentives. Therefore, for the purpose of rewarding as well as recognizing greater performance, incentives are the key tool in regard to employee motivation.

Literature Review

A large number of studies have identified the effect of monetary and nonmonetary incentives on employee productivity and overall business performance.

Numerous studies have also demonstrated that rewarding employees is one of the best ways to keep the workforce motivated. It has been found that the way in which employee motivation is linked with incentives and recognition is strategically important for achieving successful performance in an organization.

Al-Nsour (2012) examined the effects of financial and non-financial incentives at Jordanian university in terms of organizational performance. A significant relation was observed between financial and non-financial incentives and organizational performance in accordance with the data obtained from this study. Moreover, the study showed that financial incentives were highly regarded than non-financial incentives.

Ali Erbaşı and Tugay Arat (2012) examined the effect of financial and non-financial incentives on job satisfaction and observed that the responsiveness to financial incentives was found to be lower than to non-financial incentives.

Saqib and M Akbar (2015) suggested that the balance between financial and non-financial rewards plays a role in increasing the level of job satisfaction, motivation and organizational commitment is a proposition which is generally accepted without argument.

Al-Angari (1999) examined the effects of incentive applications on the performances of employees and emphasized in the study that positive financial incentives do not satisfy the employees.

Objective of the study

- To analyze the impact of monetary and non-monetary incentives on LIC agents.
- To observe the impact of monetary and non-monetary rewards on Job Satisfaction.
- To identify different incentives given to LIC agents.

Limitations of the study

1. The researchers could cover only the position of LIC of India.
2. The study does not contain the comparison of one private or public companies under insurance industry in India.
3. The area of the study is kept limited due to the short time and financial position.

LIC of India

Life Insurance Corporation of India was is an Indian State-owned insurance group and investment company headquarter in Mumbai. It is the largest insurance company in India with an estimated asset value of 1,560,482 crore (US\$230 billion). As of 2013 it had total life fund of Rs.1433103.14 crore with total value of policies sold of 367.82 lakh that year. The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance

industry in India. Over 245 Insurance companies and provident societies were merged to create the state owned Life Insurance Corporation. Even after 16 years of competition (insurance sector was opened to private firms in 2000), LIC still enjoys over 76.99 per cent of the market pie in terms of total policies. the largest financial institution with over Rs 22.10 lakh crore in assets which is over 15 per cent of India's GDP of Rs 134 lakh crore.

Concept of monetary and non-monetary incentives

Monetary incentive enhance the direct satisfaction of employees and non-monetary incentive are helpful for the recognition of employees and that recognition is a motivational tool for the employees and leads to increase in performance. Monetary incentives can boost motivation, but non-monetary incentives are more effective motivators because these incentives have an intrinsic motivational impact on the workers. So, workers who are intrinsically motivated naturally enjoy their work or job. Monetary incentives are developed to satisfy basic human needs, encouraging and pushing people to do their best work performance, the recruitment of their capabilities and enhance their competencies level. Monetary incentives are also designed as a means of payment to increase productivity and improve employee work performance. Therefore, the more employees produce the more they can get.

Although monetary incentives are the key to improving employees' motivation, job satisfaction and better performance, there are a number of non-monetary incentives that may represent more effective means of improving quality of work performance as well as motivational level. In addition, non-monetary incentives can also promote staff loyalty, enhance more interaction and cooperation among subordinates and superiors, enable more opportunity for staff participation or involvement and so on. Non-monetary incentives could be in the form of issuing a certificate of thanks and appreciation, providing extra training courses as a part of capacity development programmes, or organizing parties for distinguished staff. Non-monetary incentives are sometimes known as moral incentives, which is concerned various aspects of psychological needs, and the increase concentration of these aspects are come after the emergence of human related theories (Akaili, 1996). Moral incentives mostly based on the respect of a human being who has emotional feeling, hopes and aspiration.

Monetary incentive in LIC

Giving of bonus: It is an extra payment over and above salary, and it acts an incentive for hard work. Knowing there is a tangible financial reward for increased productivity can precisely the kind of motivation to many agents.

- A competition which was there in the month of April 2017 in which if the agents procure Rs 50000 as New Policy Instalment then the agent would be eligible to get a bonus of Rs 400.
- In in month of July if the agents are able to procure four policies in the given time frame then the agents are eligible to get Rs 700 as a bonus.

Travel Allowance: It is the extra benefit which is provided to the agents. It acts as an monetary incentive as it involves financial tangibility in it. LIC also provides travel allowance which acts as an tool to motivating the employees to continuous increase their performance. And it is given according to the different club from which the agent belongs. In which the corporate gets the maximum i.e 2,00,000 annually.

Non monetary Incentives

Training: Agents are given regular training to enrich them, it enhances the personality of the agents which in turn satisfies them which may lead to motivate the agents to prove themselves. The training programme adopted in LIC is very good. The top level management plays an effective role in implementing training programmes. The agents where given a target to be achieved and the qualifying agents are allowed to attend a motivational cum educational seminar by a renound speaker.

Praise or recognition: Praise or recognition is another incentive which satisfies the ego of the agents. Sometimes praises become more effective than any other tool. LIC agents are constantly recognized and rewarded for their performance. Numerous competitions all year round promote healthy competition amongst agents and recognition for their efforts.

Gifts: The agents are given different types of gifts items such as umbrella, rain coat wall clocks as a promotional gift items in order to motivate the agents for the good performance. The amount or the value of the gift depends upon the level in which the agents belong to.

Mediclaim Facility: It has also become an important in everyone life as all are bothered about their own and their family's health and well-being. LIC gives its agents the group mediclaim which differs the amount of claim according to their membership. The Branch Members get the least of one lakh and the corporate gets the maximum i.e. 5 lakhs.

Overview of Work Motivation

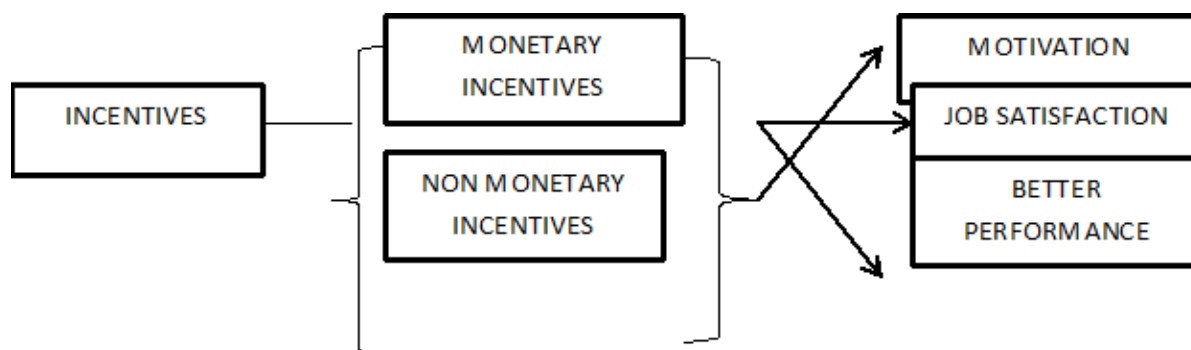
The competition between organizations and businesses is making it more difficult to achieve their goal. Work motivation is a primary factor for progress within an organization and business. According to the scenario one of the most effective strategies for achieving organizational or business goals is work motivation. The way organizations motivate their employees can impact on how employees perceive their working environment and culture within their organization. Most employees who are motivated produce a higher quality of work performance as well as work effectiveness. And motivation refers to "the psychological process that gives behaviour purpose and direction, a predisposition to behave in a purposive manner to achieve specific unmet needs, an unsatisfied need, and the will to achieve, respectively". Since the main purpose of incentive is to promote and increase employee motivation, some of these three variables should be taken into account. The first is individual characteristics, second variable is job characteristics, which contains some variables such as rewards, level of job autonomy, duty, responsibility and so on and the third variable concerns the characteristics of the work related environment.

The effect of motivation on job satisfaction

Research seeking to find better ways of motivating people in the workplace has caused some researchers and scholars to further concentrate on the psychological factors that can stimulate job satisfaction among employees (Smith, Kendall & Hulin, 1969; Lock, 1976; Rainey, 1997). According to Herzberg (1966), the most potential motivators are the things that employees overwhelmingly desire and value. Motivation that leads to job satisfaction is associated with the nature of the work itself. Herzberg has included job related practices, such as job recognition, praise of employee's achievement. Motivation can be intrinsic or extrinsic. Sometimes people act not because they are intrinsically motivated, but rather because external factors prompt them to take action. Therefore, regardless of financial, physical or emotional circumstances, outcomes are still the main motivator of job performance. It is possible that the organization can increase their productivities, or gain competitive advantage through qualified, productive and motivated employees. The primary determinant of job satisfaction is job intrinsic, which is commonly called motivation this includes job responsibility, opportunity for advancement, job recognition and so on. Also, an individual's level of satisfaction with his/her job can reflect the degree to which he/she values their job either implicitly or explicitly as it allows or fulfils the fulfilment of their job value.

The linkage between incentives, job satisfaction and work performance

The effective organizations make effective use of people knowledge and skills, which generally occur when people align their proper goals with that of the organization they work for. Meanwhile, job related characteristics and overall working environment are also important in the context of job satisfaction. In addition to this, the degree of self-satisfaction felt by individuals or groups of people in the workplace can determine their overall performance, which means satisfaction positively affects work performance. This proposition has theoretical roots, but it also reflects the general belief among scholars that “a happy worker is a productive worker”. Therefore, when the problem of performance exists, it is far more advantageous to deal with or to increase workers’ satisfaction than to deal directly with their performance. From this viewpoint, the overall work performance of an organization is greatly dependent on the productivity of individuals or groups within the organization. Therefore, to attract, motivate and retain good performance and highly productive staff and to be fair to all employees, an organization needs to set up and develop incentive schemes in order to reward and recognize employees’ performance on the basis of their relative productivity.



Hypothesis: The two major hypotheses tested and analysed in this study are:

H₁: There is a significant impact on giving incentives to agents.

H₀: There is no impact on giving incentives to the agents.

Research Methodology

This study has a descriptive scanning model, which aims to indicate the difference in terms of some demographical characteristics on the attitudes of employees related to incentives and job satisfaction, also to examine the impact of monetary and non-monetary incentives applied at LIC in on motivation and job satisfaction. In the study, a field research is used to test these hypotheses. This research was based on the primary data obtained through a detailed questionnaire containing 15 questions. The first part of the questionnaire relating to socio-economic background of the respondents consisted of 6 questions relating to name, age, educational qualification, income, etc. The second part of the questionnaire consisted of 9 questions relating to various factors of avenue selection for the study. In this study it will be assumed that employees with high motivation, satisfaction and recognition usually perform well. The sample size was 30 and the respondents were randomly selected from the urban investors of Ranchi district of Jharkhand. The means of collecting primary data is mainly based on qualitative interviews. Qualitative interviews provide an extra dimension, which enables the researcher to explore the research questions from a different angle.

This technique is useful particularly when the aim of the research is to develop depth and further understanding. The primary data obtained from the questionnaire was analysed.

The main instrument used for this research was the face-to-face interview. The interview questions were designed based on an extensive review of published academic literature concerning the research topic. The researcher conducted interview questions that were semi-structured to allow the interviewees to express their opinions or ideas instead of just answering the questions. This technique provided more in-depth information about their perception toward the incentive system within as well as their expectation toward the entire organization. A qualitative interview is often called semi-structured since the questions are well organized but with some possibilities for the participants to express their thoughts, feedback and manage the direction of the interview.

Data Analysis

Variables

- Monetary incentive
- Non- Monetary Incentive
- Job Satisfaction

Demographic Factors

- Gender
 - ✓ Male
 - ✓ Female
- Marital Status

- ✓ Married
- ✓ Unmarried
- Age
 - ✓ 18-25
 - ✓ 26-35
 - ✓ 36-49
 - ✓ 50 and above
- Working year in the Institution
 - ✓ Less than a year
 - ✓ 1-3 year
 - ✓ 4-6year
 - ✓ 7-9 year
 - ✓ 10 years and above
- Membership
 - ✓ Branch Member
 - ✓ Divisional Member
 - ✓ Zonal Member
 - ✓ Chairman Member
 - ✓ Club Galaxy
 - ✓ Corporate
- Education
 - ✓ Primary
 - ✓ Secondary
 - ✓ Graduate
 - ✓ Postgraduate
- Monthly Income
 - ✓ 1-2 lakh
 - ✓ 3-4lakh
 - ✓ 5-6lakh

The qualitative data were analysed using thematic analysis as qualitative analysis procedures. According to King (2004b) thematic analysis refers to the identification of core themes and sub-themes in qualitative data. The text from open-ended interview questions is analysed using a coding procedure and reduced into a set of key themes and sub-themes through the entire process of data analysis. For this research study, thematic analysis of interview transcripts was implemented in order to highlight common themes of the research. First, reading carefully through the entire transcripts. Second, each given response from the interview was broken into smaller, meaningful pieces of information. Then the researcher had examined that information in further detail in order to figure out the key variables that emerged from the participants' responses. This procedure was highlighted and underlined for the next step. Last, those labelled and highlighted points were grouped and the similarly coded chunks of coded text were put together to form categories, core themes and sub-themes. This process allowed the researcher to identify different variables, which merged from the transcribed data and grouped them into specific categories.

Conclusion

Based on the literature review and research findings we can say that appropriate incentive system encourages employees to achieve their best

performance. Work performance as a consequence of job satisfaction, and job satisfaction can be obtained from various incentives as employee motivation. The result obtained from this study shows a major similarity to the reviewed literature. Even though some were not what we expected, those differences constituted a small percentage in the research findings, which can be shaded light for future research study. The results showed a significant effect of both monetary and non-monetary incentives for better job performance. The selected participants expressed different job dissatisfaction toward the non-availability of certain incentives, which significantly affected their overall work performance. The majority of the interviewees reported that they are satisfied with their incentives for their performance. Two respondents did say, however, that though he was not satisfied, it didn't affect his performance. The interview resulted as majority of interviewees get motivated with both the incentives monetary and non-monetary. In general, the results showed that providing additional monetary and non-monetary incentives to public employees could improve their work performance and increase productivity.

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