BEYOND SALARIES: HOW MANAGEMENT INCENTIVES DRIVE EMPLOYEE ENGAGEMENT IN MICROFINANCE BANKS, IN OSUN STATE

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ABSTRACT

This study examined the influence of management incentives on employee engagement in microfinance banks in Osun State, Nigeria. The study employed a quantitative research approach to assess the relationship between management incentives and employee engagement. A multistage sampling approach was adopted to draw a sample of 127 from the selected microfinance banks' employees in Osun State. A structured questionnaire developed with five-point Likert scale was used to gather data for the study as well as the Utrecht Work Engagement Scale (UWES) which was adopted. Data was analysed using regression analysis. The findings reveal that financial incentives, non-financial incentives, and performance-based rewards have a statistically significant influence on employee engagement. Based on these findings, the study recommends that microfinance institutions should optimize their incentive structures by integrating competitive salaries, recognition programs, and performance-driven rewards to sustain high employee engagement levels. The study also recommends periodic reviews of incentive strategies with a focus on ensuring alignment with employees' expectations and organizational goals.

Keywords: employee engagement, financial incentives, management incentives**,** non-financial incentives, performance-based rewards

INTRODUCTION

Employee engagement as a popular concept in the field of Human Resource Management (Ajibola et al., 2019) is a critical determinant of organizational success, influencing productivity, job satisfaction, and overall workplace performance (Bakker & Albrecht, 2021, Dajani, 2015; Tangthong et al., 2015). Byrne (2014) emphasizes the importance of understanding engagement through theoretical and empirical lenses to effectively foster it within organizations. Sun and Bunchapattanasakda (2019) identified two primary

conceptualizations of employee engagement as the duo opined that employee engagement is a multi-faceted construct encompassing cognition, emotions, and behaviours; also as a unitary construct representing a positive state of mind, characterized by dedication and the opposite of burnout. Employee engagement has been referred to as a "cornerstone upon which rests a number of a positive business outcomes such as productivity, improved bottom lines, growth, customer satisfaction, employee retention and safety" (Bhowal & Saini, 2019). Studies have proved that engaged employees are instrumental to organizational success in terms of productivity (Shaw & Greenberg, 1987), customer satisfaction, profits, and employee productivity (Ajibola et al., 2024; Gallup, 2022). Conclusively, engaged employees are more committed to their work and the organization, leading to higher productivity and better business outcomes, hence, modern management incentives policies implementation focuses not only on rewarding performance but also on creating a supportive and inclusive work environment that fosters engagement (Yu et. al. 2020).

Meanwhile, the reality on ground as per the level of employee engagement across the globe in general and in sub-Saharan Africa in particular is reducing at alarming rate instead of improving as observed from the 2023 Gallup's state of Global Workplace report (Ajibola et al., 2024; Gallup, 2023). Reasons for the retrogressive in the level of employee engagement are beyond salaries. In today's world of work, sustaining high levels of engagement among employees remains a challenge and more prominent in the microfinance sector, where financial institutions play a pivotal role in economic inclusion (Ugwu & Onyishi, 2022). However, engagement levels in this sector are often inconsistent, accounting for high employee turnover rates, decreased productivity, and suboptimal customer service (Albrecht et al., 2022).

While salaries remain an essential factor in employee motivation, recent research suggests that management incentives—both financial and non-financial—are stronger predictors of sustained employee engagement (Karatepe & Olugbade, 2023). These incentives include performance-based rewards, career development opportunities, recognition, and work flexibility, which collectively foster a sense of commitment and enthusiasm among employees (Kim et al., 2022). Though, management incentives—comprising financial rewards, non-financial benefits, and performance-based incentives—are widely recognized as key drivers of engagement, their effectiveness in microfinance banks remains underexplored, particularly in Osun State, Nigeria hence, the need to empirically investigate the role of management incentives in improving employee engagement.

One of the popular frameworks in evaluating the level of employee engagement is the Utrecht Work Engagement Scale (UWES) which identifies vigour, dedication, and absorption as key dimensions of engagement (Schaufeli, 2021). If organizations are meticulous in implementing a well-structured incentive policies, employees tend to exhibit higher levels of energy, commitment, and enthusiasm toward their roles (Sharma & Singh, 2024) which will lead to increase in organisational productivity and effectiveness.

Although some empirical studies have examined the impact of management incentives on employee outcomes—such as Agbor Oka (2024), who investigated the effect of incentive system management on employee performance in selected deposit money banks in Cross River

State; Ovunda-Amadi et al. (2021), who reported that remuneration, promotion, and recognition significantly enhance employee retention in the banking sector; and Iyke-Ofoedu et al. (2023), who found that fringe benefits and promotions improve productivity—there remains a noticeable gap in the literature concerning microfinance banks, particularly in Osun State, Nigeria. Specifically, limited attention has been paid to how various incentive policies affect employee engagement in these smaller, resource-constrained institutions. Existing research tends to emphasize larger financial organizations, thereby neglecting the unique challenges and motivational dynamics within microfinance contexts (Owolabi & Adetula, 2023). This study seeks to address this gap by exploring the influence of management incentives on employee engagement in Osun State's microfinance banks.

Since studies are yet to link employee engagement with varying incentive types within Nigeria's microfinance sector despite the wide use of UWES to measure engagement, (Schaufeli, 2023), this study bridged these gaps by investigating the extent to which financial, non-financial, and performance-based rewards as proxies of management incentives drives employee engagement in Osun State's microfinance banks.

Objectives of the Study

The main objective of the study was to investigate the influence of management incentives on employee engagement in microfinance banks in Osun State.

Specifically, the study objectives were to:

i. determine the influence of financial incentives on employee engagement in microfinance banks in Osun State,
ii. evaluate the influence of non-financial incentives on employee engagement in microfinance banks in Osun State and
iii. investigate the influence of performance-based rewards on employee engagement in microfinance banks in Osun State.

This research therefore targets offering strategic insights for HRM policies which will ultimately enhance employee motivation, retention, and overall institutional performance by providing empirical evidence on the role of incentives in fostering employee engagement.

LITERATURE REVIEW

The variables in this study are management incentives and employee engagement. Management incentives in this study comprise financial rewards, non-financial benefits, and performance-based incentives. Employee engagement in this study adopted UWES which conceptualised it as vigour, absorption and dedication.

Employee Engagement

Employee engagement has been conceptualized as a collection of positive attitudes and behaviors that facilitate high levels of job performance aligned with an organization's mission (Pande & Basak, 2021, p. 315). According to Tower Perrin, as cited in Pande and Basak (2021), employee engagement refers to "the extent to which employees put discretionary effort

into their work, in the form of extra time, brainpower and energy" (p. 315). Earlier, Kahn (1990) defined employee engagement as "the harnessing of organization members' selves to their work roles," whereby individuals express themselves physically, cognitively, and emotionally during the execution of their tasks (p. 694). These definitions underscore the multidimensional nature of engagement, emphasizing both behavioural and psychological investments that employees make in their work.Saks (2006), Balain and Sparrow (2009) opined that employee engagement involves job and organisational engagement. Employee engagement has benefits such as greater productivity, a greater sense of team, higher talent retention, boosted business growth, attractive reputation, better recruitment and selection, improved customer experience and customer loyalty (Pande & Basak, 2021). Several employee engagement drivers had been identified which includes: reward and recognition, autonomy, variety, feedback, fit, and opportunities for development (Armstrong & Taylor, 2017, p. 218), work itself, the work environment, leadership, opportunities for personal growth, and opportunities to contribute (Pande & Basak, 2021). Studies have found that organisations with engaged employees perform better than those with disengaged employees (Gallup, 2022).

Financial Rewards

Financial rewards in workplace refer to direct monetary compensation given to employees in exchange for their work contributions (Armstrong & Taylor, 2017, Pattanayak (2021). These incentives include salaries, bonuses, commissions, and profit-sharing schemes (Kuvaas et al., 2022). It consists of "job-based pay, which provides pat related to the value of the job, and person-based pay, which provides rewards that recognise the individual's contribution which include pension, employee benefits, and financial recognition schemes" (Armstrong & Taylor, 2017, p.425). Compensation structures are essential in influencing job satisfaction and engagement, as competitive pay fosters motivation and retention (Dahl & Pierce, 2023). However, the relationship between financial rewards and employee engagement is not always linear; excessive focus on pay may lead to extrinsic motivation, reducing intrinsic engagement over time (Deci & Ryan, 2022).

Non-Financial Rewards

Non-financial rewards "focus on the needs people have to varying degrees" (Armstrong & Taylor, p.426), which include benefits, achievement personal growth, acceptable working conditions and recognition that do not involve direct monetary compensation but contribute significantly to job satisfaction and engagement. Examples include career development opportunities, flexible work arrangements, job security, and workplace recognition (Anitha & Sujatha, 2023). According to Pattanayak (2021), "non-financial rewards may take the form of treats, knick-knacks, awards, social acknowledgment, tokens or on-the-job rewards" (p. 516). From research point of view, it has been found that employees often prioritize non-financial incentives over financial rewards when assessing job satisfaction, as they foster a sense of belonging and personal growth (Garg & Dhar, 2024). Organizations that emphasize non-financial incentives tend to experience higher levels of commitment and lower turnover rates (Memon et al., 2022). Pattanayak (2021) remarked that the "greatest incentives over a long run are the non-monetary incentives" (p. 514).

Performance-Based Reward

Performance-based rewards are incentives directly linked to an employee's output, efficiency, or achievement of organizational goals. Aguinis et al. (2023) averred that performance-based reward includes performance bonuses, merit-based pay raises, employee-of-the-month programs, and promotions. Performance-based rewards are effective in enhancing engagement as they provide clear motivation for high achievement and goal attainment (Kim & Kang, 2024). However, studies caution that an overemphasis on performance rewards can create unhealthy competition and stress, potentially leading to employee burnout (Shields et al., 2023).

Conceptual Framework

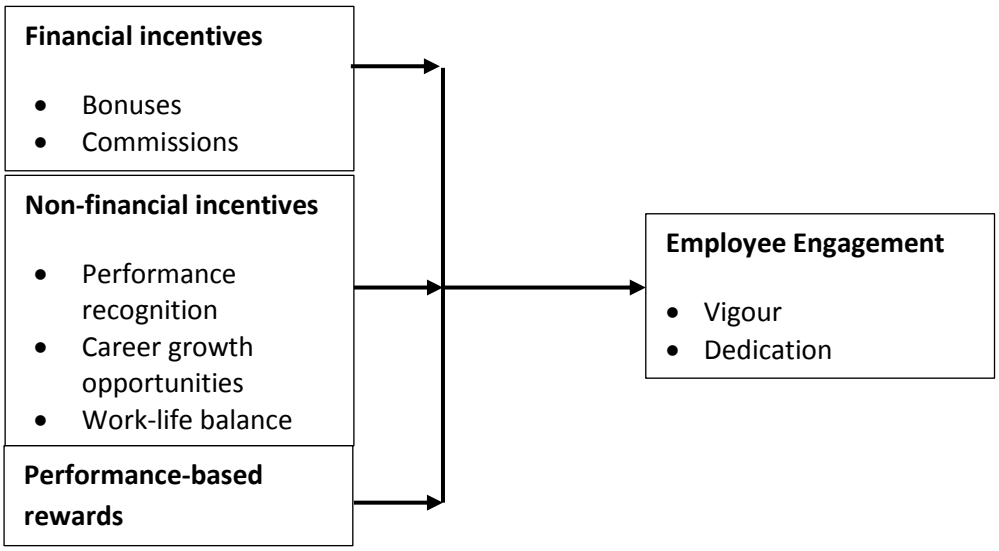


Fig. 1: Conceptual Framework for the study

Theoretical Review

The underpinning theory for this study is the Self-Determination Theory. The Self-Determination Theory was propounded by Deci and Ryan in the year 1985 and was updated in 2020. The theory posits that when these intrinsic needs are met, individuals are more likely to be self-motivated, perform effectively, and exhibit sustained engagement in their roles (Ryan & Deci, 2000). Unlike extrinsic motivation, which is driven by external rewards or pressures, SDT emphasizes the role of intrinsic motivation in enhancing commitment, productivity, and psychological well-being. The theory argues that employees are motivated by both intrinsic (non-financial) and extrinsic (financial and performance-based) rewards. It highlights three psychological needs—autonomy, competence, and relatedness—as drivers of engagement (Deci & Ryan, 2020).

In the context of the workplace, management incentives—such as monetary rewards, recognition, training opportunities, and career advancement—can either support or undermine intrinsic motivation, depending on how they are structured. When incentives are perceived as supportive of an employee's autonomy and growth (e.g., recognition, skill development, participative decision-making), they can reinforce engagement by aligning with the SDT framework (Gagné & Deci, 2005). Conversely, overly controlling or contingent rewards may diminish intrinsic motivation, resulting in lower levels of engagement.

Relating SDT to employee engagement, it becomes evident that employees are more engaged when management incentives satisfy their psychological needs. For instance, in the Nigerian banking sector, studies have shown that when employees feel empowered, appreciated, and offered clear pathways for career development, they are more likely to invest themselves emotionally and cognitively in their work (Agbor Oka, 2024; Iyke-Ofoedu, Nwankwo & Okechukwu, 2023). This aligns with the SDT assertion that motivation becomes internalized when work environments foster competence and meaningful relationships.

Therefore, understanding employee engagement through the lens of SDT provides valuable insights into how management incentives can be strategically designed—not just to reward performance, but to cultivate an environment where employees find purpose, growth, and connection in their roles. Particularly in resource-constrained environments such as microfinance banks in Nigeria, applying SDT principles may help develop low-cost but high-impact engagement strategies focused on meaningful incentives and autonomy-supportive leadership.

The theory has been criticised for its limitations. It has been argued that excessive financial incentives may reduce intrinsic motivation, meaning organizations must balance rewards effectively (Armstrong & Taylor, 2017; Gagné et al., 2021). The theory is relevant to this study because it explains how financial rewards (e.g., salary and bonuses) satisfy competence by making employees feel valued, while non-financial rewards (e.g., recognition and career development) enhance relatedness and intrinsic motivation. Also, performance-based rewards (e.g., merit pay) influence autonomy, as employees feel they have control over their success. Its criticisms notwithstanding, the SDT provide a foundation for understanding how management incentives influence employee engagement.

Empirical Review

Relevant empirical studies have found relationship and interconnectedness between management incentives and employee engagement. For example in Norway, a quantitative survey study that examined the impact of financial and non-financial rewards on employee engagement among 250 bankers found non-financial rewards (recognition & job autonomy) had a stronger effect on engagement than financial incentives (Kuvaas & Dysvik, 2021). This study that was carried out in Europe only focused on Europeans banking firms excluding microfinance institutions thereby creating gap which this study attempted to fill.

Another study in South Korea in Asia carried out among 300 employees out of which 200 sample participated. The objective of the study was to investigate how performance-based

incentives influences employee motivation and engagement. The study used mixed-methods. The study found performance-based incentives positively impacted engagement, but excessive pressure led to burnout (Park et al., 2022). The study however lack longitudinal data to assess long-term effects.

Mensah and Aidoo (2023) conducted a research among microfinance institutions in Ghana. One hundred and fifty respondents participated in the study. The study objective was to assess how policies influences employee engagement in microfinance banks. The study reported that it found a mix of financial and non-financial incentives led to higher engagement than financial incentives alone. However, the study failed to examine sector-wide management incentives.

Brown and Peterson (2024) in their study on the role of salary and career development in sustaining employee engagement among 35 HR managers from North Banking America, USA who participated in the study. The study used qualitative approach. The study found that career growth incentives had a higher impact on engagement than direct salary increments. The gap created by this study was limiting the sample size to the HR managers alone.

In Nigeria, Okeke and Yusuf (2025) conducted a research focusing microfinance banks. The study was quantitative with a sample of 220 employees drawn from microfinance banks. The study found both financial and non-financial incentives influences employee engagement, but employee valued career growth the most. The study however did not compare findings with other financial institutions in Nigeria.

From the foregoing, studies suggest that non-financial incentives (recognition, career growth, autonomy) have a stronger impact on employee engagement than direct financial rewards (Kuvaas & Dysvik, 2021; Mensah & Aidoo, 2023). However, in developing countries like Ghana and Nigeria, empirical studies revealed that employees still value financial incentives, though they also prioritize career growth (Okeke & Yusuf, 2025).

Studies like Park et al. (2022) found that performance-based rewards (bonuses, promotions) positively impact engagement but can also lead to burnout if not well managed. Meanwhile, there exist contextual differences between western countries such as USA and Europe, non-financial incentives (career growth, job autonomy) are prioritized (Brown & Peterson, 2024). But in Africa, studies from Ghana and Nigeria found that financial rewards remain crucial due to economic factors (Mensah & Aidoo, 2023).

From the existing studies, financial, non-financial, and performance-based incentives affect engagement but research specific to microfinance banks in Nigeria is still limited. Okeke and Yusuf (2025) have compared the effects of different incentive types within the Nigerian financial sector but there exist little research on how management incentive policies are implemented and their long-term impact on employee engagement.

In view of the foregoing the following hypotheses were formulated based on the specific objectives of the study:

H_{01}: Financial incentives do not significantly influence employee engagement in microfinance banks in Osun State of Nigeria.

H_{02}: Non-financial incentives do not significantly influence employee engagement in microfinance banks in Osun State of Nigeria.

H_{03}: Performance-based rewards do not significantly influence employee engagement in microfinance banks in Osun State of Nigeria.

METHODOLOGY

The study employed descriptive survey research design. The target population was 187 employees of the nine selected microfinance banks in Osun State. The distribution of the population across the participating microfinance banks are as follows as at May/June, 2023: Legend Microfinance Bank, Osogbo (15), Omak Microfinance Bank Limited, Ilesha (21), Osogbo Microfinance Bank Limited, Osogbo (33), Chrisore Microfinance Bank, Ile-Ife (24), Olofin Microfinance Bank, Ilesha (15), Insight Microfinance Bank, Ilesha (19), Golden Cresent Microfinance Bank, Ede North (19), LAPO Microfinance Banks, Iwo (23) and Idese Microfinance Bank, Ejigbo (18).

Sample size for the study was determined by the aid of Taro Yamane (1967) formula which gave approximately 127 samples. Purposive sampling technique was used to select the 9 Microfinance banks, stratified sampling techniques was used to select participants in each of the microfinance bank, and finally, simple random sampling was used to select individual participants from each selected microfinance banks. This study focused on two main constructs: Management Incentives and Employee Engagement. These variables were operationally defined based on relevant literature and were measured using items adapted to reflect the context of deposit money banks in Nigeria. The research instrument for the study was a questionnaire that was sectionalised to section A, B, and C. Section A was socio-demographic characteristics of respondents. Section B was on Management Incentives which refers to the structured and unstructured rewards—both monetary and non-monetary—employed by organizations to motivate employees. This includes salary structure, recognition, career advancement, bonuses, and welfare benefits. Items were adapted from validated studies such as Gungor (2011) and Agbor Oka (2024), and respondents were asked to indicate their level of agreement with statements such as: "I am satisfied with the promotion system in my organization", "My contributions are recognized by management", "I receive incentives that motivate me to exceed expectations". The instrument made use of 5-point Likert Scale 5-point - Strongly Disagree (SD), Disagree (D), Undecided (U), Agree (A), and Strongly Agree (SA). This scale facilitated quantitative analysis by assigning numerical values to subjective perceptions.

Employee engagement was defined in line with the Utrecht Work Engagement Scale (UWES) framework developed by Schaufeli et al. (2002), which identifies three key dimensions: vigor**,** dedication, and absorption**.** Section C of the questionnaire contained items designed to assess these dimensions. Example items included: "I feel enthusiastic about my job", "I am willing to go the extra mile for this organization", "I am deeply engrossed in my work" and others. These items were also measured on the same 5-point Likert scale ranging from Strongly Disagree to Strongly Agree.

To ensure content validity, the items for both variables were reviewed by experts in Human Resource Management and Organizational Behaviour. The constructs were also informed by prior validated scales in related empirical research. A pilot study was conducted involving 30 staff from a different banking cohort to determine the internal consistency of the instrument. The Cronbach's alpha values obtained were: Management Incentives: $\alpha = 0.87$ and Employee Engagement: $\alpha = 0.91$. These values exceeded the 0.70 threshold recommended by Nunnally (1978), indicating high reliability of the scales.

The research instrument was administered by research assistants to the selected employees of Microfinance banks in Osun State. Data collected was analysed using both the descriptive and inferential statistics. Pearson r correlation was used for to test for relationships between the variables and regression analysis was used to test the stated hypotheses.

The model for the study is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu,$$

Where:

Y = employee engagement,

X = Management Incentives,

X_1 = financial incentives (bonuses, commissions, profit sharing),

X_2 = non-financial incentives (performance recognition, career growth opportunities, and work-life balance), and

X_3 = performance-based rewards respectively.

B_0 is the intercept of the regression equation,

β_{1-3} are the coefficients of the parameters of the model and

μ is the stochastic term.

All hypotheses were tested at 0.05 to determine the statistical significance.

RESULTS

A total of 127 copies of questionnaire was administered in line with the sample size determined by Taro Yamane (1967) formula. Only 121 was found fit and useable for further analysis. This represents 95% response rate. From Table 1, the gender distribution shows that 53.7% were male and 45.3% were female. The distribution was nearly 50-50. This implies that both gender participated in the study. More than half of the respondents (52.9%) aged below 25 years. Next was those whose ages were within 26 and 35 years with 26.4%. Only 15.7% were aged between 36 and 45 years and 4.9% of the respondents are above 45 years of age. The implication of this was that majority of the respondents were young people which is good for the study as their perceptions about the management incentives on employee engagement will be useful for the

management decision. In addition to this was the fact that all age group was represented, hence, the study had responses from all age groups.

On marital status, most of the respondents (67.8%) were still single, 28.1% were married, and only 4.1% were widowed/widower. The Table show that all the respondents were educated. National Certificate of Education (NCE) and Ordinary National Diploma (OND holders were 36.4%, 43% had first degree or Higher National Diploma (HND), 13.2% had MBA and 7.4% had other qualifications such as professional qualification. The table further revealed that majority of the respondents (65.3%) that participated in the study had put up between 1 and 5 years of work experience. About quarter (24.8%) of the respondents had between 5 and 10 years work experience, and only 9.9% had between 10 and 15 years of experience.

Table 1: Frequency Distribution of Respondents' Socio-Demographic Characteristics (N=121)

Socio-Demographics	Variable	Frequency	Percentage
Gender	Male	65	53.7%
	Female	56	46.3%
Age	Below 25 years	64	52.9%
	26 – 35 years	32	26.4%
	36 – 45 years	19	15.7%
	46 – 55 years	5	4.1%
	Above 55 years	1	0.8%
Marital Status	Single	82	67.8%
	Married	34	28.1%
	Divorced/Separated	0	0.0%
	Widow/Widower	5	4.1%
Educational Qualification	NCE/OND	44	36.4%
	HND/Bachelor's Degree	52	43.0%
	Master's Degree	16	13.2%
	Ph. D.	0	0.0%
	Others	9	7.4%
Work Experience	Below 5 years	79	65.3%
	5 – 9 years	30	24.8%
	10 – 14 years	12	9.9%
	15 – 19 years	0	0.0%
	20 years and above	0	0.0%
	Total	**121**	**100%**

Descriptive Statistics

Table 2 summarizes the responses for four variables collected from a sample of 121 respondents.

Table 2 shows that financial incentives has minimum of 1, maximum of 4.25, mean of 1.93, and standard deviation of 0.51. On average, respondents rated financial incentives quite low, suggesting dissatisfaction or inadequacy in financial rewards. Low standard deviation indicates most responses were clustered around the mean. For Non-financial incentives, the mean score is moderately low, implying mixed perceptions about recognition, career growth, etc. The higher standard deviation indicates greater variability in responses.

As for the performance-based rewards, average perceptions of performance-based rewards were low to moderate. Standard deviation shows moderate variation in respondent views. Employee engagement levels appear to be moderate, but leaning towards low, suggesting room for improvement in motivational practices. The lower standard deviation implies consistent responses across the sample.

In the overall, respondents rated all incentive-related variables below the midpoint (3.00) of 5-point scale which implies dissatisfaction or limited effectiveness of current incentive practices. Since employee engagement is also moderate to low, this implies that there exist a link between low incentives and low engagement. Likewise, the relatively low variation in financial incentives and engagement suggests that experiences are similar across employees in these areas.

Table 2: Descriptive of Summary of Responses

Variable	Min	Max	Mean	Std. Dev.
Financial Incentives	1.00	4.25	1.93	0.51
Non-Financial Incentives	1.00	5.00	2.73	1.12
Performance-Based Rewards	1.00	5.00	2.67	0.97
Employee Engagement	1.25	5.00	2.68	0.59

Test of Hypotheses

The multiple regression analysis was used to investigate the influence of management incentives on employee engagement in Microfinance banks in Osun State is

The overall model for the study was summarised as: $EE = \beta_0 + \beta_1 FI + \beta_2 NFI + \beta_3 PBR + \mu$, where EE = employee engagement, FI=financial incentives, NFI=non-financial incentives, and PBR=performance-based rewards. For the first objective, Table 3 shows the results of multiple regression analysis of the influence of financial incentives on employee engagement in Microfinance banks in Osun State. The results shows a coefficient of determination (R Square) of management incentives as 0.254. This implies that 25.4% of the variation in the employee engagement is explained by the management incentives (financial, non-financial, and performance-based rewards) as revealed by the study. The correlation coefficient was 0.504

which shows a moderate positive relationship between the management incentives and employee engagement in microfinance banks in Osun State. Thus, there is a significant influence of management incentives on the employee engagement in microfinance banks in Osun State (r =.504, p<.05).

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504[a]	.254	.235	.51320

a. Predictors: (Constant), performance_based_rewards, financial_incentives, nonfinancial_incentives

Table 4 shows analysis of variance statistics of the analysed data including F-test of overall significance of the linear model. At 5% level of significance, the value of calculated F was found to be 13.300. The F value was used to assess the overall statistical significance of the model.

Table 4: ANOVA[a]

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	10.508	3	3.503	13.300	.000[b]
	Residual	30.814	117	.263		
	Total	41.323	120			

a. Dependent Variable: employee_engagement

b. Predictors: (Constant), performance_based_rewards, financial_incentives, nonfinancial_incentives

Table 5 presents the coefficients of the model. The results shows that the contribution of management incentives (financial incentives, non-financial incentives, and performance-based rewards) to employee engagement was statistically significant with B=2.002, t=8.568 and p-value <0.05. This implies that when management incentives = zero, the employee engagement is 2.002. Which means that a unit increase in management incentives will positively affect employee engagement to the tune of 2.002 unit, all things being equal. This is an evidence that financial incentives positively influences employee engagement in microfinance bank in Osun State.

Considering individual contribution, it was noted that only performance-based reward is statistically significant with B=0.265, t=4.361, and p<0.05. Both financial incentives (B=-.084, t= - .908, and p>0.05) and non-financial incentives (B=0.047, t=.894, and p>0.05) were not significant. This implies that the contribution of financial incentives is in the reverse and insignificant. Meaning that there is no enough evidence against the null hypothesis, hence the

hypothesis is retained, as the study conclude that financial incentives do not significantly influence employee engagement in microfinance banks in Osun State of Nigeria. Although, the contribution of non-financial incentives is positive but yet, it is insignificant with p>0.05. Hence, the study conclude that non-financial incentives do not significantly influence employee engagement in microfinance banks in Osun State of Nigeria.

On the contrary, the results shows that performance-based reward has positive significant influence on employee engagement in microfinance banks in Osun State of Nigeria with p<0.05. So, the performance-based rewards do significantly influence employee engagement in microfinance banks in Osun State of Nigeria. The third hypothesis was rejected and the study concluded that performance-based rewards significantly influence employee engagement in the selected microfinance banks.

The multiple regression model could be fitted as follows: EE = 2.002 - .084FI +.047 NFI +.265PBR

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.002	.234		8.568	.000
	Financial Incentives	-.084	.093	-.073	-.908	.366
	Nonfinancial Incentives	.047	.053	.090	.894	.373
	Performance-based Rewards	.265	.061	.438	4.361	.000

a. Dependent Variable: Employee Engagement

Discussion of Findings

The study investigated the influence of management incentives (financial, non-financial, and performance-based rewards) on employee engagement in the selected microfinance banks in Osun State. The study analysed the relationships and influences financial incentives, non-financial incentives, and performance-based rewards have on employee engagement in the selected microfinance banks in Osun State. Based on the results of the analysed data, the study found that financial incentives has negative insignificant influence on employee engagement in the selected microfinance banks in Osun State. As for the non-financial incentives, the influence was found to be positive but insignificant. The performance-based rewards was found to have positive significant influence on the employee engagement in the selected microfinance banks in Osun State.

On the first objective, the study found that financial incentives insignificantly influence employee engagement in the selected microfinance banks in Osun State. This finding is

contrary to the finding of Mensah and Aidoo (2023) and Okeke and Yusuf (2025). They reported that financial incentives have stronger influence on employee engagement in Nigeria and Ghana. From their findings which this study fail to support, it was obvious that financial rewards remain crucial in those countries due to economic factors. Meanwhile, with the current findings, it portent to show that financial incentives varies across sub-sector of the economy.

The second objective was to evaluate the influence of non-financial incentives on employee engagement in microfinance banks in Osun State. The finding of the study shows that there is a statistically insignificant influence of non-financial incentives such as career development opportunities, flexible work arrangements, job security, and workplace recognition on employee engagement. The findings of this study contradict the submission of Anitha and Sujatha (2023) and that of Garg and Dhar (2024) who have reported that employees often prioritize non-financial incentives over financial rewards when assessing job satisfaction, as they foster a sense of belonging and personal growth. The findings also disagree with the stance of Pattanayak (2021) who averred that the "greatest incentives over a long run are the non-monetary incentives" (p. 514).

The third objective was on the investigating the influence of performance-based rewards on employee engagement in microfinance banks in Osun State. The study found that there is statistical significant influence of performance-based rewards on employee engagement in microfinance banks in Osun State. The findings of this study agreed with that of Park et al. (2022) who reported that performance-based incentives positively impacted engagement, but excessive pressure led to burnout and Mensah and Aidoo (2023) who found that a mix of financial and non-financial incentives led to higher engagement than financial incentives alone. Brown and Peterson's (2024) study was in line with the findings of this study because in its findings, the study reported that career growth incentives had a higher impact on engagement than direct salary increments which this study confirmed. In the case of Okeke and Yusuf (2025), the study found both financial and non-financial incentives influences employee engagement, but employee valued career growth the most.

CONCLUSION

The relationship between management incentives and employee engagement in microfinance banks in Osun State was examined by this study, using the Utrecht Work Engagement Scale (UWES) as a measurement tool. The findings indicate that financial incentives and non-financial incentives have insignificant influence on employee engagement in microfinance banks in Osun. While performance-based rewards swas found to have a statistically significant influence on employee engagement. This suggests that well-structured and implemented incentives systems play a crucial role in fostering higher levels of engagement among employees in the microfinance sector.

The results align with existing literature, reinforcing the idea that employees are more engaged when they perceive that their efforts are recognized and rewarded appropriately. Financial incentives provide tangible motivation, while non-financial incentives - such as career development opportunities and workplace recognition - contribute to a sense of belonging and

purpose. Additionally, performance-based rewards serve as a mechanism for reinforcing desirable behaviours and work outcomes.

Implications for Practice and Policy

For microfinance banks in Osun State, these findings highlight the importance of designing and implementing incentive structures that align with employees' expectations and motivations. Microfinance banks in particular and work organisation in general should look beyond salaries as a way of motivating and rewarding employees. This was the key findings of this study.

Management should consider a balanced approach that integrates both financial and non-financial rewards to sustain engagement levels. Additionally, organizations should regularly assess employee perceptions of incentives to ensure their effectiveness in fostering long-term commitment, driving the employee engagement for organisational success, effectiveness and productivity.

Limitations and Future Research Directions

While this study provides valuable insights, it is limited to microfinance banks in Osun State, which may affect its generalizability to other financial institutions or industries. Future research should explore additional factors such as leadership style, workplace culture, and job satisfaction to provide a more comprehensive understanding of employee engagement. Longitudinal studies could also offer deeper insights into the long-term effects of incentive structures on engagement.

In conclusion, this study underscores the significant role of financial, non-financial, and performance-based rewards in enhancing employee engagement. By strategically leveraging these incentives, microfinance institutions can create a more motivated and committed workforce, ultimately contributing to organizational success.

Recommendations

Based on the findings of this study and in order to enhance employee engagement, this study recommended that management should ensure that salary structures, bonuses, and other monetary rewards are competitive and align with the employees' contributions to motivate them towards commitment and engagement. The study also recommended that work organisations should step up their investments in professional development of their workforce that perfectly align with employees' expectations, recognise employees' initiatives, provide positive work environment to foster intrinsic motivation among employees. Effort of management should also be geared towards enhancing performance-based reward systems by ensuring that structures are put in place to ensure that high performance employees are fairly and adequately rewarded to motivate them and encourage continuous engagement. Finally, management should also have regular review of and customised incentives in place and promote a holistic engagement approach in order to sustain high levels of employee engagement among their workforce.

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