

A Study on Effectiveness of Reward System on The Motivational Level of Employees

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Abstract— This study investigates the effectiveness of reward systems on the motivational levels of employees. The research aims to understand how both monetary and non-monetary rewards influence employee performance, job satisfaction, and overall productivity. Data was collected through surveys with employees across different organizational levels. Findings reveal that most employees consider rewards as a key factor in staying motivated, with economic incentives being the most influential. The study concludes that organizations should adopt a balanced approach to rewards

Index Terms—: motivational level, rewards, satisfaction

I. INTRODUCTION

An effective reward system helps retain talent, improve performance, and keep employees motivated by showing their work is valued. Flexible and customized rewards are more meaningful, while fair pay, benefits, recognition, and personal connection from manager's further boost productivity. Rewards not only attract and inspire employees but also strengthen loyalty, job satisfaction, and adaptability. To meet both company and employee expectations, managers must understand what motivates individuals and design fair, transparent, and supportive reward programs that align with organizational goals

II. STATEMENT OF THE PROBLEM

This study investigates the challenges associated with outdated and ineffective employee reward and motivation practices in organizations, addressing the tendency of some organizations to adopt a lax approach to rewarding employees and rely on traditional, potentially obsolete motivational methods. Prior research on this topic has largely overlooked the critical question of whether employees

themselves desire a transition to modern reward and motivation techniques. The study aims to identify the gaps by examining what employees prefer and find new ways to boost the motivation and engagement which gives organizations fresh insights to create better strategies that meet employees needs and increase more driven and effective team.

III. NEED FOR THE STUDY

To assess motivational level of employees within the organization and to understand the individual opinion on company's benefits for motivation, including reward system

IV. OBJECTIVES OF THE STUDY

- Study to know the effectiveness of reward system on motivation.
- Find out if employees like new reward system better than old ones

V. LITERATURE REVIEW

S. Bhakuni's 2023 Study in the Shanlax International Journal of Management examines how rewards boost motivation in Indian companies (IT, manufacturing, and services). Intrinsic rewards like recognition and growth opportunities sustain long-term motivation, while extrinsic rewards like bonuses work for short-term gains. Fair and clear rewards build trust in India's diverse workforce. Rewards should match cultural values and company goals to improve satisfaction and loyalty. Unfair practices can weaken results.

G. Sudhakar's 2023 Study in the Shanlax International Journal of Management explores how rewards influence job satisfaction and motivation in private schools in Hyderabad, India. It shows that non-

financial rewards, like appreciation and opportunities to grow, are better at boosting motivation and happiness than financial rewards, like bonuses. Clear and fair reward systems build trust and help keep employees, but unfair practices can lower motivation. The study supports self-determination theory, highlighting the value of independence and recognition.

P. Vijaya Lakshmi's 2023 Article in the International Journal of Advance and Innovative Research examines how reward systems influence employee engagement in Hyderabad's service sector. The study shows that intrinsic rewards, such as recognition and career development, are more effective at increasing engagement and motivation than extrinsic rewards like bonuses. Motivation connects rewards to improved performance. Transparent and fair rewards foster trust in India's diverse workforce, while unfair practices may lead to disengagement. The research, grounded in self-determination theory, uses surveys and statistical methods to support its findings

A. Kumar and R. Sharma (2023) Found that in India's IT sector, especially in cities like Bangalore and Hyderabad, internal rewards like recognition and skill growth boost long-term employee motivation more than bonuses. Fair and transparent reward systems help build trust and keep employees engaged. The study also suggests that rewards should match both employee needs and company goals. Unfair rewards can lower motivation.

Singh and Gupta (2024) Looked at how rewards influence employee motivation in Indian manufacturing firms. It showed that while pay and bonuses can boost motivation for a short time, non-financial rewards like praise and learning chances have a longer-lasting effect. The study suggested using a mix of both reward types and stressed the need for fair and clear reward systems. When employees see rewards as fair and aligned with their needs and company goals, they stay more motivated and perform better

S. Sharma and V. Rao Found that in Indian public sector jobs, intrinsic rewards like job security and recognition are more effective at motivating employees than financial rewards, which are often limited by rules. Fair and transparent reward systems

help build trust and improve motivation, while unclear or unfair practices can lower employee performance. The study highlights the importance of recognition and autonomy in boosting motivation.

Patel and Desai's (2024) Examines how reward systems, financial and non-financial, influence employee engagement in Indian SMEs. The research likely pinpoints which reward strategies best boost motivation, commitment, and involvement among employees, considering the unique challenges and cultural aspects of these businesses. The anticipated findings should guide SME leaders in crafting better reward programs to enhance retention, productivity, and overall performance.

Mishra and Kumar (2023) Investigated how reward systems influence employee motivation within India's banking sector. Their study likely explored monetary and non-monetary rewards to understand their effectiveness in boosting performance and job satisfaction. The research aimed job satisfaction. The research aimed to provide practical advice for banks on optimizing their reward programs to attract, retain, and motivate employees for greater organizational success in a competitive environment.

Joshi and Nair (2023) Studied the Indian retail sector to see how non-financial rewards like recognition, career growth, job security, and good work environment motivate employees. Their research likely shows how these non-money benefits boost satisfaction, performance, and retention which are key for retail success. The goal was probably to help retail managers use these non-financial rewards to build a more motivated workforce.

Reddy and Suresh (2024) In their study for the international journal of health sciences and Research, looked into how rewards affect motivation among healthcare workers in India. They found that non-financial perks like appreciation and training really boost motivation, especially since emotions are so important in healthcare.

Ngwa et al.'s (2025) Extensive review of 61 studies revealed that reward systems, both financial and non-financial, significantly influence employee satisfaction, motivation, and engagement, particularly in a post pandemic work environment. These rewards also foster greater autonomy, creativity, knowledge

sharing, and retention. Ultimately, this research offers valuable guidance for organizations seeking to optimize human capital management, encourage innovation, and enhance overall intellectual assets

Alhmod et al. (2025) Studied how reward systems affect employee motivation and performance in technical universities. Their research, though drawing from various industries, found that motivation strongly boosts performance. They highlighted that intrinsic rewards (like recognition) are more important for long term engagement than just money. They concluded that fair, clear, and well-structured reward systems, including non- financial perks like career development, are key to a motivated workforce, while unfair systems hurt trust.

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The SHRM (2024) Review highlights that well-designed reward system are crucial for boosting employee performance and building a strong company culture. They found that effective rewards, including clear goals, performance incentives, differentiated recognition, and timely appreciation, lead to higher productivity, job satisfaction, and lower turnover. The review stresses the need for fair, flexible, and inclusive reward structures that align with company values to keep employees engaged and high- performing

Mahota and Kaur (2023) Found that fair and well-designed pay and reward systems directly boost employee's performance. Their study shows that both money and money rewards motivate employees, but only if they're given fairly and promptly. For long term success, companies need to link these rewards directly to business goals, highlighting their importance for both individual and company performance.

Anshuman 2025 employee reward system: types, features, Benefits. Implementation, referencing their

R&R Report- India (2023-24), highlights that strategically designed reward systems significantly boost employee motivation and retention within India's competitive business environment. This effectiveness stems from incorporating monetary and non-monetary rewards that are tailored to the unique needs of employees and align with organizational goals. The report emphasizes the importance of moving beyond traditional, one-off recognition to continuous, personalized, and data driven reward practices to achieve measurable results in employee engagement.

Nilotp M Saharia Advantages and disadvantage of reward systems for employees: (2024) Reward systems generally boost employee morale. However, they stress that these systems need careful management. If not handled well, they can actually make employees less motivated. Importantly, the report finds that simply recognizing employees in very effective way to motivate them in India

Lisa Oberstaller, -in pave commute blog (2024) Explains that employee reward systems are planned ways to thank and pay staff, aiming to boost their motivation and output. She notes that even affordable recognition can effectively motivate and keep a diverse workforce, especially in places like India. Her article also offers tips on setting up these systems, stressing that rewards don't have to be costly but should be clear, regular, and varied for success

Sam Lepak blog's (2025) Guide 22 benefits of an employee rewards system- on employee rewards says that for India, showing appreciation and offering chances to grow really makes employees more involved and happier. This works well in India because people value being recognized and developing within a group. The guide likely explains how different rewards lead to better motivation, job satisfaction, and employees staying longer

The Darwin box (2023) Guide explains that to boost employee motivation and fairness in Indian companies, reward systems must work hand in hand with good performance tracking. This means setting clear goals, goals giving regular feedback, and offering fair rewards (both money and non-money) to create a motivated and productive team. Essentially, linking rewards to clear performance to clear performance helps employees feel trusted and

understand what's expected.

Natasha (2025) How reward systems are shaping the workplace Says that flexible and personalized rewards are what really motivate and engage employee in India. This means companies are moving away from standard rewards to offer things that employees individually prefer, keeping up with India's changing work environment

VI. RESEARCH METHODOLOGY

This study adopted a descriptive research design.

Type of Data collection:

1) Primary Data

It contains information collected through questionnaires filled out by respondents

2) Secondary Data

Secondary data was collected from textbooks, journals and other literate resources available through open-source research and internet survey.

Sampling Design

The technique chosen to select a sample is called a sampling design. There are different types of sampling designs and they all provide guidelines for choosing or selecting a sample for a study.

This study employed probability sampling, specifically using simple random sampling.

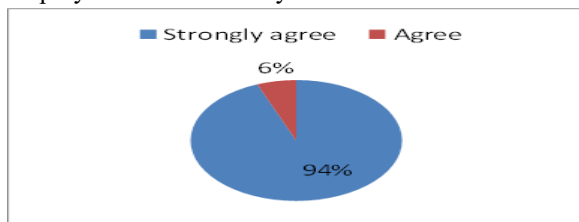
Sample size

Sampling unit	The study focuses on the employees from 4 different companies
Sample size	A sample size of 100 Was used in this study
Graph	Pie Chart

VII. DATA ANALYSIS AND INTERPRETATION

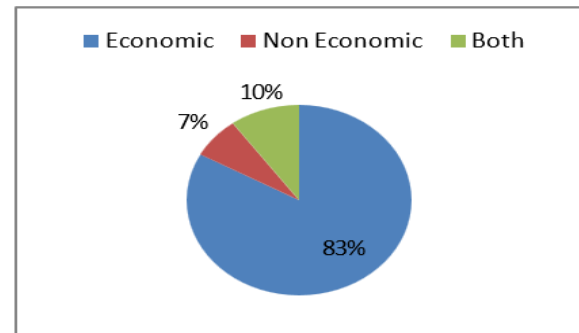
Do you agree to motivate employees the better option is reward system

Analysis: The chart above of 100 respondents says that 94% of respondents strongly agreed and 6% of respondents agree to the statement that motivation for employees need reward system



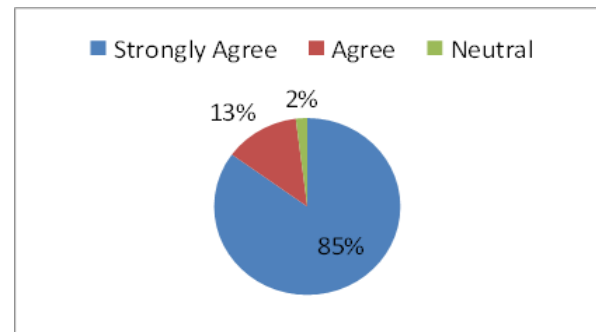
The reward system motivates you?

Analysis -The chart of 100 respondents says that 83% of respondents like economic rewards, 7% of them say they like non-economic rewards and 10% likes both financial and non-financial rewards



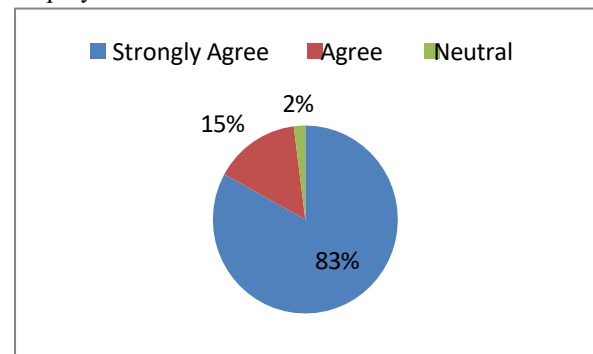
Does your organization have an effective reward system in place?

Analysis: The chart says that 85% of respondents strongly agreed that their company have effective reward system, 13% were agreed and 2% were neutral

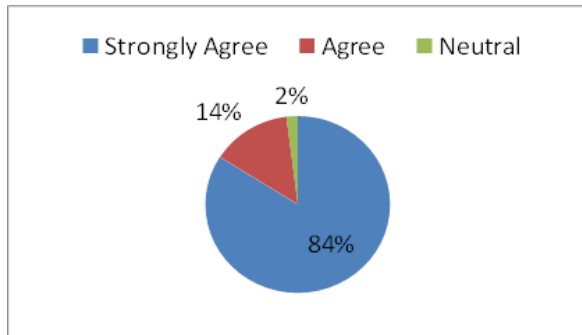


Need other rewards to motivate an employee?

Analysis: The chart shows that 83% of the respondents strongly agreed, and 15% of the respondents agreed and 2% of respondents feel neutral for the statement that need of other rewards in company to motivate employee

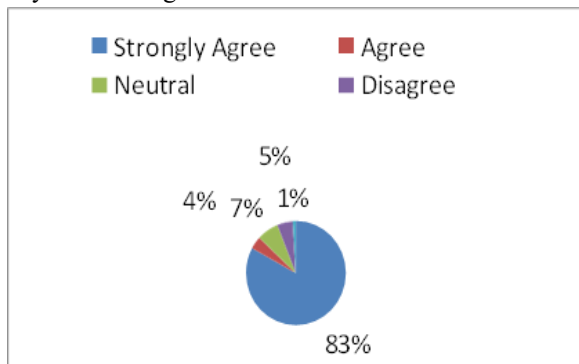


Does your company need any change in the reward system?



Analysis: The chart above shows that 84% respondents strongly agreed that requirement in change of reward system in their company and 14% of the agreed and 2% of the respondents feel neutral about the statement

Does the reward system have made you experience any disadvantage?



Analysis: The chart above of 100 respondents 83% of the respondents strongly agree ,4% agree, 7% neutral ,5% disagree ,1% strongly disagree to the statement that reward system has made them feel disadvantage

VIII. FINDINGS

- Most employees prefer a reward system to stay motivated.
- Economic rewards motivate most employees.
- The organization uses an effective reward system.
- Employees are happy with their company's reward system.
- The company has one of the best reward systems.
- Other types of rewards also motivate employees in the organization.
- Most employees want some changes to the current

reward system.

- The reward system impact how well employees perform.
- Most employees feel motivated by their coworkers.
- The organization regularly increases employees, salaries.
- The organization includes employees in decisions about the reward system
- Employees believe the organization's reward system needs improvement.
- Many employees feel disadvantaged by the company's current reward system.
- Employees agree that rewards are key to achieving their goals.
- Financial rewards can boost employee productivity, depending on individual interests.
- Rewarding employee often increases their loyalty to organization.
- Motivated employees work more effectively and efficiently, according to employees.

IX SUGGESTIONS

- Companies should create a reward system that meets employees' expectations.
- Companies need to update their current reward system.
- Companies should reward employees fairly to improve their performance.
- Companies should address any confusion with employees who feel unfairly treated by the reward system and ensure they feel valued and secure in the organization.
- Companies can start a voting system for rewards in various categories to gather employees' opinions about their peers and coworkers. This approach encourages employees to work and behave more effectively, boosting their motivation.

X. CONCLUSION

Motivation is key in any organization, as it drives employees to work hard toward both company and personal goals. Different factors motivate employees, and their response can be positive or negative, depending on how they view it and the company's

culture. Organizations use reward systems to encourage and recognize their workers. To strongly motivate employees financial rewards like raise bonuses are used and meets their needs and boosts their commitment to their work and the organization. This can be a help for the company to achieve great result. However, negative motivation can be seen if employees feel unfairly rewarded or unrecognized which leads to lowering their work efficiency and output.

Employees from four companies are very happy with their rewards systems. Based on their feedback, I can see that these companies offer good rewards and regular salary increase to keep employees motivated. The employees were cooperative, took time to respond, and gave honest answers, showing they are satisfied with the rewards

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