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EFFECT OF REWARD ON ORGANIZATIONAL COMMITMENT: A CASE STUDY OF LAGOS STATE INTERNAL REVENUE SERVICE, NIGERIA

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ABSTRACT

This study examined the effect of reward on organizational commitment with reference to Lagos State Internal Revenue Service, Nigeria. The case study is chosen because tax revenue is an instrument of economic development of most countries including Nigeria, that can put them on the road to sustainable development. The population of the study is 135 purposively selected staff of the organization and the sample size of 100 was determined through the Guilford and Flruchter formula. Regression was used in analyzing the data obtained through questionnaire. The results showed that reward had a positive and significant effect on the commitment of the organization ($R= .567$, $R^2=.321$, $P<0.5$). In conclusion reward have a significant effect on organizational commitment and the study recommended that both the Intrinsic and extrinsic rewards some of which are employee recognition, respect and office pay, salary, bonuses, increments, overtime payment, should be injected in this organization to reward efficient and hardworking employee so that they can be more committed to the work.

Keywords: Compensation, Organizational Commitment, Engagement, Employee, Revenue, Wages and Salaries

INTRODUCTION

Employees are the major driving force for utilizing all other resources while the success of the organization depends on active utilization of human resources. When employee feel rewards are for their development, they are found more committed to their job. Employee commitment is crucial for organizational success. In related view, Rizal, Idrus, and Mintari (2014) said organizations provide compensation in form of welfare to retain employees at work. Scarce skills arising from competition led to the attraction and retention of quality employees which resulted to the biggest challenge in human capital management. In order to attract, retain, satisfy employees as well as making profit organizations need novel reward systems.

Appraisal or the reward of the employees results in motivation and commitment of employee as well as higher employee retention rate which is crucial for the survival of any organization. The commitment of the employee as well as their performance is a very important strategic. If they had been carrying out duties and responsibilities properly, it will have an effect on organizations performance. For an organization to achieve an increase in efficiency, effectiveness or higher quality and to complete a series tasks assigned to employee in organization requires high employee performance means. If employees observed that superior performance is recognized and rewarded by organization, they will increase their commitment and performance with a hope to obtain an addition compensation. Performance degradation, increasing degree of absenteeism, and employee turnover may be as a result of dissatisfaction to compensation Also poor reward can lead to poor performance or poor service delivery by the employee especially when the salary scale had remained constant for a long time despite the increasing cost of living in the country. This study therefore examined the effect of reward on organizational commitment with reference to Lagos State Internal Revenue Service, Nigeria. The case study is chosen because tax revenue is an instrument of economic development of most countries that can put them on the road to sustainable development. In particular, the effect of tax revenue on the economic development of Nigerian cannot be overemphasized. Sustainable development (SD) was propounded as an alternative development strategy. for improving the living conditions of the human population without degrading the quality of the environment. The concept came into being following the realization that economic development and environment are closely linked.

LITERATURE REVIEW

Concept of Reward

Compensation any employee receives in exchange for his effort towards the attainment of the organizational goal in the view of is known as reward. This is seen by Mathis and John (2004) as occupying an important place in the life of any employee. Also reward according to Mukherjee, Dey, and Mitra (2012) can be anything that attracts a employees attention and stimulates him to work. Types of rewards that organizations can use to encourage staff productivity include pay rise, as well as promotion and bonuses related package. If management use these various forms of reward well, they boost the productivity of the organization since it will a positive effect on employees.

Employers and employees are usually involved in many disagreements on issues such as salaries, wages and bonus. These normally lead to strikes and lock outs. Rewards can be categorized into Intrinsic and extrinsic. However, it is important to note that extrinsic and intrinsic rewards complement each other, and that one is not sufficient without the other.

Intrinsic reward and Extrinsic reward

Intrinsic rewards are those reward which are non-cash or has no physical existence (Ajmal, 2015). For example, employee recognition, acknowledgement, authority to immediate task, autonomy, achievement, respect and appreciation etc. Research shows that money becomes less of a motivator as an employee's income increases. Mukherjee et al. (2012) in a similar work, submitted that interesting work becomes more of a motivator as an employee gets older.

On the other hand, those rewards which have physical existence and cash based are regarded as extrinsic rewards. Both intrinsic and extrinsic reward has their own values and preferences based on the employees' need. While some employees prefer intrinsic reward (especially the top managers) some prefer extrinsic reward (lower level management).

Organizational Commitment

Lee & Kim (2010) define organizational commitment as a perceived psychological state that binds a person towards an entity. Employees' loyalty towards the commitment of their organizations is seen by both Ongori (2007) and Akintayo (2010), to emanate from the extent of their devotion to the organizations they belong to.

Organizations that consider increasing employees' commitment are those that feel concern about employee turnover and could afford to competent employees. Committed employees will most likely stay longer periods within the company and tell favorable things about the company. Such employees will not involve in search of openings for additional income, rather they will continue to put in their best in term of performance.

Types of commitment

Based on the insightful researches of (Colquitt, Lepine, Wesson, & Gellatly, 2010; Meyer and Allen, 1991; and Peter, 2014) there exist three (3) distinct types of organizational commitment namely: Affective commitment, Continuance commitment and Normative commitment

Affective commitment: is an employee's desire to remain a member of an organization due to a feeling of emotional attachment to, and involvement with, that organization (Colquitt et al., 2010). Robertson, Lo, and Tang, (2003) see affective commitment as a positive attitude towards and/or affective attachment to the organization. This has to do with the organization, its mission or values, and/or its members. That is in an instance where an employee is committed due his attachment or feelings to the organization.

Continuance commitment: Continuance commitment in the words of Colquitt et al., (2010) **is** when an employee decides to continue to remain in an organization as a result of the likely negative consequences that may result from quitting. The costs associated with leaving an organization may include a wide variety of entities, some of which are measurable and others which are more intangible. Examples include attractive pay and other benefits. Intangible losses may include transferability of skills, disrupt personal relationship, position held, status, and job security.

Normative commitment: Normative commitment in the view of Peter (2014), is seen as a situation whereby an employee decides to continue working in an organization due to his/her various pre-entry or socialization experiences. Pressures exerted either prior to, or after, organizational entry may be as result of normative commitment, because an employee feels he/she ought to do so.

Reward and Organizational Commitment

Employers can retain his employees if a good compensation package is offered them. Any organization that offers competitive, market-related pay and benefits, in the thinking of Terera (2014), will be successful in its retention strategy. In that, employees will be motivated as well as dedicated organizational commitment

Sustainable Development

The discussion of the concept of Sustainable Development in this is relevant because of its link to the Case Study, Lagos State Internal Revenue Service, Nigeria. Dennis and Emmanuel (2014) state that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from taxation, however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. Dennis and Emmanuel further mentioned that taxation is the most important source of revenue to the government. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances. The tax revenue is therefore, an instrument of economic development of most countries that can put them on the road to sustainable development. In particular, the effect of tax revenue on the economic development of Nigerian cannot be overemphasized. What is then “Sustainable development?”. Sustainable development (SD) according to Boon (2017), was propounded as an alternative development strategy. for improving the living conditions of the human population without degrading the quality of the environment. The concept came into being following the realization that economic development and environment are closely linked. Sustainable development in view of Boon (2017), may be described as a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs. In the nutshell, our submission is that organizational commitment arising from appropriate reward system will encourage positive employee performance in organizations saddled with revenue generation. This brings about sustainable development.

THEORETICAL CLARIFICATIONS

Expectancy Theory

Expectancy theory of Vroom (1964) assumes that employees will be motivated to make effort to a high when they are convinced that their efforts lead to an appropriate appraisal of performance in addition to other expected benefits. Expectancy Theory is based on an economic model of human behaviour, and it is the most widely used theory in other to understand the design and outcomes of performance pay system. Also, assumption of the expectancy theory is that individuals have preferences regarding the rewards they will receive in exchange for their investment of time and resources. The difference between individuals in the valence of rewards is recognized by this theory and helps to explain why rewards provided have different motivational effects on workers. That is, while it has positive effect on some workers, reverse is the case on the others

Equity theory

The basis of equity theory is that employee in any organisation expects to be rewarded like other employees for similar levels of input making the distribution of reward important. This theory, however recognizes the extent of equity among the employees. It is their belief that rewards cannot be equitable, it can lead to minimum in involvement in selected activities as well as reduction in absenteeism and employees' effort

METHODOLOGY

Descriptive survey research design was adopted for this research. The researcher used a sample drawn from the population to have an insight to the problem under investigation. Population of the Study and Sample Size

The target population was 135. This comprised of all staff currently in Lagos state internal revenue service as at 2017. The sample size was determined by adopting Guilford and Flruchter (1973) formula for estimating sample size:

$$\frac{N}{1+ Q^2 N}$$

Where N = Population size = 135

Q = alpha = 0.05

$$\frac{N}{1+ Q^2 N} = \frac{135}{1+(0.05)^2 (135)} = 100$$

Method of Data Analysis

Descriptive statistics such as percentages, frequency counts and cross-tabulation were employed in analyzing and interpreting part of the data collected. For the research hypotheses, inferential statistics such as descriptive mean, standard deviation, and regressions were used in their analyses. Test of Hypothesis

H^0: reward does not have significant effect on organizational commitment

Table 1: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.567[a]	.321	.314	.57395

a. Predictors: (Constant), Reward

From the result in the above table 1, the Adjusted R Square (0.567). The implication of this is that, about 56% of the variation in reward measures is explained by variables in the model; that is reward, while the remaining 44.0% was explained by other factors which were not shown in the model. The regression equation (model formulated) is thus very useful for making predictions since the value of $R^2$is close to 1.

Table 2 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.663	1	14.663	44.510	.000[b]
	Residual	30.966	94	.329		
	Total	45.628	95			

a. Dependent Variable: Commitment

b. Predictors: (Constant), Reward

The results of the analysis of variance (ANOVA) table 2 above which revealed that F (44.510, $p < 0.05$), indicated a statistically significant relationship (less than 0.05) between the independent variables (reward) and dependent variable (organizational commitment). The coefficient of the Beta weight for the amount of standard deviation unit of change in the dependent variable for each of standard deviation unit of change in the dependent variable was calculated. This was based on the significant relationship. Since p-value < 0.05 (critical value), the null hypothesis was rejected and the alternative accepted. This implied that there is effect of reward on organizational commitment. Therefore, the model is useful.

Table 3 COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.420	.236		10.236	.000
	AVE reward	.390	.058	.567	6.672	.000

a. Dependent Variable: Commitment

The standardized coefficients in table3 revealed that The Independent variable, reward value has the strongest positive effect on employee commitment because the Beta (β = .567) shows statistically significant relationship because it was less than 0.05 alpha value. This implies that the variable has contributed to the model. Hence there is significant effect of reward on organizational commitment in the study.

CONCLUSION

The study concluded that reward has a direct and intense effect on organizational commitment as well as job motivation. Employers and employees as revealed by the research showed they are disposed to both intrinsic and extrinsic rewards. Especially, where appreciation, high performer certificate, delegated authority and many other mechanisms could work well keeping the salary constant. Where reward has positive effect on organizational commitment and performance of employees in any country, the cumulative effect brings about sustainable development.

RECOMMENDATION

The study recommended that Intrinsic rewards which are non-cash for example, employee recognition, acknowledgement, authority to immediate task, autonomy, achievement, respect and appreciation should be injected in this organization to reward efficient and hardworking employees so that they can be more committed to the work. Physical existence and cash based for example, office pay, salary, bonuses, increments, overtime payment, social climate of organization, which are forms of extrinsic rewards should also be encouraged in the organization to ensure commitment and improve performance in the organization.

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