Determining the effect of Financial and Non-Financial Compensation on Employee Motivation and Commitment in Higher Education Institutes, Jamshoro

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Abstract

The main objective of this research is to measure the effect of financial and non-financial incentives on employee motivation and commitment in higher education institutes. Primary data was collected from employees of three large public sector universities located at Jamshoro city. Using survey research method, survey questionnaire is used to collect primary data. After data analysis it is interpreted that observed data is statistically valid and reliable. Discriminant validity analysis confirms no any specific item or construct is highly correlated with the measure of other, means all items are statistically different from one another. Standardized Root Mean Square Residual and Normed Fit Index analysis confirm significance of financial and non-financial incentives with motivation and commitment and Variance Inflation Factor analysis reveal no multicollinearity issues with predictors. Positive Beta and P values indicate all four alternate hypotheses are accepted. It is concluded that employees in higher education institutes are given fair and equitable compensatory benefits which not only motivate them but enhance commitment to work with employer. The findings of this research are valuable insight for top management of higher education institutes to devise compensation policy for employees. Future researchers may conduct this research in private educational institutes of country as well as comparative analysis between financial and non-financial incentives is also needed to achieve more diversified findings in compensation management.

Keywords: Financial incentives, Non-financial incentives, Employee motivation, Employee commitment, Higher education institutes

Introduction

One of the contemporary issues faced by corporations in developing and under developed countries is ensuring their employees are motivated enough to achieve set goals and objectives of the enterprise. Misfortunately, personal goals of employees are different from those of corporation goals. Efforts of skilled human capital must be appreciated to achieve desired goals of the corporation therefore motivation is essential. It is need of an hour to set policies in a way which must be aligned with appreciating right efforts of employees so that competent workforce will stay loyal with the corporation and properly engaged in achieving long term goals of the corporation (Ayandele & Etim, 2020). Employees remain integral part of the corporation so they decide the fate of the corporation for which motivation is suggested (Daniel, 2019). It is necessary for sustainable growth and development of the corporation that employees must be willing to work with employer. Among other factors for motivating employees, incentives is one of the determining factors which rewards each employee based on his contributed efforts.

Highly motivated employees and better rates of retaining lead to greater organizational performances. Employees pay more attention and put effort in assigned jobs which is conditional to fulfilling inner needs and motives. The physical and mental efforts invested by each employee in a particular organization depends on his level of motivation. Motivation can be extrinsic means employee receive financial or tangible incentives and intrinsic involve appreciation or encouragement (Watkins & Fusch, 2022). The organizations which demotivate employees will certainly have adverse effects (Chukwu, 2021). Lack of motivation results low productivity and lower profits. The Bureau of labor statistics (2015) in Nigeria revealed that voluntary turnover rate in small scale enterprises increased from 27% to 33% which is due to lack of attention paid by businessmen to their employees, this turnover also led downturn in earned profits. The main reason highlighted was lack of fair compensation strategy which create challenges for smooth functioning of the businesses (McManus & Mosca, 2015).

Any discrimination or inequity in disbursing rewards can create stress, frustration and embarrassment among employees as discussed by (Armstrong, 2012) because these benefits not only fulfill personal and family needs of an employee but also show his value and dignity with the corporation. Research findings reveal that most of the executives' high job turnover is due to pay discriminations. This inequity leads to affect performance, team work and commitment of employees to continue working with same employer (Lucas, 2016). Financial incentives directly affect corporate performance by helping them achieve goals and objectives because the reward structure serve as means of attracting and retaining talented employees who will surely perform better (Armstrong, 2012).

The non-financial incentives such as career growth and development, work appreciation and proper communication with employees increase employee loyalty in telecom sector of Libya. This hypothetical structure supported by theoretical background, i-e Equity theory and Expectancy theory. Adequate provision of non-financial incentives empowers employees to communicate information and receive job recognition which properly engage them in the corporation. This support increases their commitment to work with the corporation and improve organizational performance (Abdussalam et al., 2021).

Higher education institutes receive budget cuts in the last two decades which create a challenge for the management to compensate employees and motivate them to stay loyal. In parallel to this, Higher Education Commission has been directing the educational institutes to improve quality education and promote research culture by having highly qualified faculty. To achieve this objective, employees need to be motivated so they will stay committed with employer (Agasisti, 2017). Top Management of the Higher education institutes revised fee structure of students as only option left to retain highly qualified faculty as well as continuously engaged with federal and provincial governments to reconsider budget cuts for seamless conduct of academic activities (Ilyas et al., 2024). Based on contemporary situation it is pertinent to know the current state of employees' motivation and commitment in higher education institutes.

The main objective of this research is to study the relationship of financial compensation with job motivation and commitment of employees. Faculty members and administrative staff in higher education institutes voice their concern for attractive compensation because hyper-inflation and economic downturn in the country coupled with increasing income tax liabilities financially destabilized earning class to bear rising cost of living (Ali, 2014). It is momentous to know current compensation levels and their marginal effects on motivation and commitment of employees.

Second objective is to measure the effect of non-financial compensation on motivation and commitment of employees. Like financial incentives, employees also need recognition, work for achievement and growth. Appreciating employees for better work done, nature of work itself and growth prospect not only engage employees but motivates them to stay loyal with employer (Dessler, 2020). Considering this fact, it is important to know the adequate provision of non-financial incentives and their effect on motivation and commitment of employees.

Based on detailed review of literature and current studies, it is evident that no any research is undertaken in recent years to measure the effect of financial and non-financial compensation in public sector universities of Sindh in particular. This paper attempts to fill gap in literature which is certainly needed to be researched during fragile economic situation of higher education institutes in Sindh province. Furthermore, in a globalized economy, highly qualified faculty and admin staff has open door opportunities to resettle their careers and leave parent institutes therefore current state of their motivation and commitment is essential to be measured and known too.

Literature Review

Financial Incentives and Employee Motivation

Many research studies attempted to know the relation between financial incentives and employee motivation (Awais, Kashif, & Raza, 2020), in this context (Fischer et al., 2019; Shibli & Chatterjee, 2020) found the positive relationship between change in reward and employee motivation. (Nyandema & Were, 2014) discussed that many organizations did not increase financial rewards which result low motivation level among employees. Likewise, Lombardi et al. (2020) studied that extrinsic rewards do not similarly affect all employees, the way higher income employees motivated was different than lower income employees. Ekhayemhe and Oguzie (2018) studied significant relationship between financial incentives and employee motivation and concluded that relation between financial incentives and employee motivation is universal.

Prasetya and Kato (2011) researched that organizations should not only offer market based competitive pay to employees but along with this, some intrinsic rewards must be given to motivate employees. Robescu and Lancu (2016) discussed that offering adequate and fair tangible incentives to all employees is much difficult because the expectation level of employees varies due to multiple demographic and cultural differences among employees.

Considering above discussion, H1 is developed as;

Financial incentives are positively associated with employee motivation in higher education institutes.

Financial Incentives and Employee Commitment

Organizations offer tangible incentives to employees excite their commitment and sustainability with the corporation (Kilimo et al., 2016). Firms or corporations which have market based competitive monetary incentives in their compensation structure receive increased commitment level of their employees as well as improved organizational performance (Shalini, 2020). Organizations which offer tangible incentives like shares, cash bonus and profit sharing, have seen increased commitment of employees with the corporation (Awino & Kipsang, 2020). Employees do expect their contributed efforts must be rewarded by tangible incentives, it motivates employees to stay long with the same corporation and do not switch to any other organization (Hadžiahmetović & Dinc, 2017).

In contemporary business environment it is challenging to retain competent workforce therefore organizations change their compensation policy from conventional rewards to performance-based incentives. Main factors of performance-based rewards include Job knowledge, competencies and technical skills are prerequisite for performance-based incentives (Yun et al., 2007). Firms which adopt performance-based incentives in their compensation policy are benefited with large pool of committed employees (Jhonson et al., 2010; Milkovish & Newman, 2008).

Many research studies empirically found that financial incentives have positive and significant effect on motivation and commitment of employees. In this context (Kriesman, 2002; Kurdi et al., 2020; Urbancova & Vnouckova, 2018) empirically determined positive and significant relationship between financial incentives and employees' commitment, furthermore these incentives reduce turnover intention and enhance employee devotion. As the needs and wants of employees are fulfilled with tangible incentives offered by employees, it increases level of commitment with the corporation (Jeni et al., 2020). Tangible gains received by employees bridge the gap in their rational needs and desires which result them to stay committed with their corporation (Teo et al., 2020).

Considering above discussion H2 is developed as;

Financial incentives influence employees' commitment in higher education institutes.

Non-Financial Incentives and Employee Motivation

Many research studies undertaken on intangible incentives and employee motivation (Awais, Kiani, Thas Thaker, Raza, & Qaim, 2021; Yaqub, Awais, Aslam, Mohsin, & Rehman, 2022) found that intangible rewards as main predictor of motivating employees. In this connection (Nyandema & Were, 2014) interpreted that opportunities for career growth and development, coaching and mentoring augment motivation and satisfaction of employees. They also observed that conducive work environment is one of the main intangible rewards that stimulate positive work behavior. Kurdi et al. (2020) found positive relationship between work appreciation and recognition with employee motivation. Non-Financial incentives like growth opportunities and other non-financial incentives motivate employees (Teo et al., 2020).

Supervisor's attitude with employees and empowerment are other two intangible incentives which are empirically tested to have positive effect on employees' motivation. It develops trust of employees as management supports them and give them freedom in way to achieve their assigned tasks (Bari et al., 2019). Another study found that five non-financial rewards i-e training, performance recognition, opportunities for career growth and development, effective communication and job security were empirically tested, results found that except training and performance recognition all other non-financial incentives motivate employees at their workplace (Cheema & Mirza, 2013). Another study conducted in measuring the effect of non-financial incentives on employee's motivation in developed and developing countries which conclude that non-financial incentives positively motivate employees in developed countries however these incentives are less important in motivating employees in developing countries like Pakistan (Yousaf et al., 2014). Tausif (2012) found positive and significant relationship between non-financial incentives and employees' motivation in education sector of Pakistan. The study further discussed that non-financial incentives enhance motivation level of employees in all age groups, it is higher for senior employees and lower for fresh employees.

Considering above discussion, H3 is developed as;

Non-Financial rewards are positively associated with employees' motivation in higher education institutes.

Non-Financial Incentives and Employee Commitment

The situation in which employees do not receive rewards in proportion to their contributed efforts result increased job dissatisfaction. This dissatisfaction led to further weaken the commitment of employees in continuing work with same corporation. Keeping all other factors constant, the major failure of top management is unbalancing the disbursement of tangible and intangible incentives (Yousaf et al., 2014). Perception about financial and non-financial rewards varies from one employee to other, few employees prefer extrinsic over intrinsic rewards while others have vice versa choice. Therefore, it is main responsibility of top management to determine preference of each employee in receiving rewards which motivate all employees simultaneously based on rational decision (Meyer et al., 2004). Research findings reveal that most employees prefer financial incentives like cash however others argue that performance can be further improved with recognition and appreciation (Ghosh et al., 2016). In view of diverse opinion of employees, firms can have a justified mix of tangible and intangible incentives in compensation management which may result increased commitment of employees in comparison to firms which have unjust and irrational disbursement of both types of rewards (Meyer & Nujjo, 2012). Proper and justified reward structure manage employees effectively can lead corporations to achieve sustainable growth. Firms need to develop connection between talented workforce and commitment (Lok & Crawford, 2004). Higher motivation level of committed employees develops their emotional attachment with the corporation (Heavey et al., 2011).

Malhotra and Singh (2007) studied that non-financial rewards significantly affect employees' commitment than financial rewards. Firms need to execute perpetual appreciation of employees in their corporate culture which will increase motivation and make them highly committed (Altindis, 2011; Bibi, Butt, & Awais, 2024). Employees seem to be more concerted in achieving organizational goals in which are linked to social rewards given to them. The more accurate and timely disbursement of social rewards enhance their motivation and emotional attachment with the corporation. These rewards increase affective commitment of employees with employer (Chipunza & Berry, 2010). As firm give intangible incentives to employees, like holidays, employees believe that management does care about them and it adds to wellbeing of employees which enhance their motivation and commitment (Chiang & Birtch, 2012). Once employees know that firm values their certain behavior, they become motivated enough to adopt that behavior permanently at workplace (Luthan et al., 2006).

Researchers found that comparing two firms in which one offers tangible incentives and other offer intangible incentives, employees prefer firm offering intangible rewards (Ajila & Abiola, 2004). As managers become committed with their corporation, they reward their employees in just and rational manner (Kokubun, 2017). Studies found that firms which praise, recognize and morally support employees they become successful in receiving firm commitment of employees as the psychological needs of employees are fulfilled.

Considering above discussion H4 is developed as;

Non-Financial Incentives are positively associated with employees' commitment.

Employee Motivation

Motivation is a driving force of performance and it mediates the relationship between incentives and commitment. A motivated employee put his best efforts to improve firm performance (Dessler et al., 2015). Motivated employees hope for his efforts to be rewarded in the form of both financial and non-financial incentives which need to be line up with performance (Baron et al., 1992). Motivation is defined as a process by which an individual is engaged in ongoing activity to achieve desired outcomes. Nickson (2013) further elaborated that HR practices motivate employees to properly engage in his work and perform best which led to job satisfaction. Motivation is inner driving forces which make employees perform with interest, willingness and desire to achieve assigned goals and objectives in an effective manner.

Highly skilled and motivated employees perform difficult tasks with their best contributed efforts which lead to improve organizational performance. Motivation is positively correlated with performance because motivated employees achieve their assigned tasks more effectively than demotivated employees. Human resources are pivoting element for organizations therefore motivating employees is utmost important for giving a competitive edge to the firm (Datta et al., 2005). Various research studies found positive and significant relationship between employees' motivation and commitment (Newman & Shaikh, 2012).

The Incentive Theory of Motivation

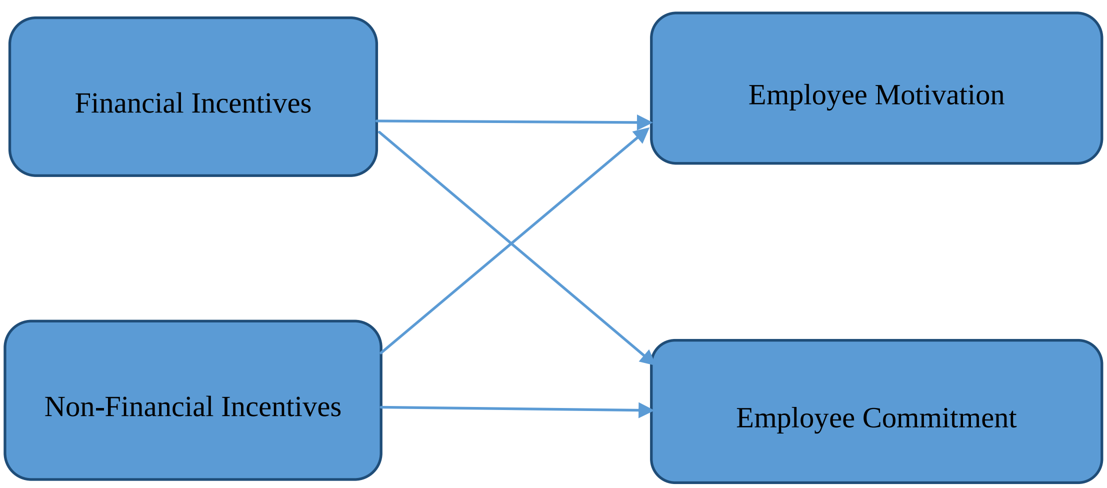
The incentive theory of motivation asserts that people are motivated by extrinsic rewards whether positive or negative. This theory worked as operant conditioning where employees perform either for incentives or avoid punishment. External rewards motivate people to work despite unpleasant working environment i-e chores, restrictive tasks or other factors. These rewards also motivate people to avoid bad habits like smoking or alcoholism because these addictions can negatively affect the lives of people. Incentives can be positive or negative, positive rewards receive by employees once task is finished or completed, for instance, receiving commission for achieving or exceeding assigned targets. Negative incentives are related to violation of some legal acts, like over-speeding imposes financial penalty on employees (Cherry, 2020).

Not all incentives work in same way as you plan, social and psychological factors keep changing overtime. For instance, any medical emergency or major disease in his family drive him to work or do something at workplace which can solve his contemporary problem. Likewise, an employee looking for financing his children higher education might be less motivated with annual bonus because his desire for action finds solution of his chronic problem (Cherry, 2020).

Frederick Herzberg Two Factor Theory

This theory asserts that intrinsic factors motivate employees more than extrinsic or hygiene factors. Intrinsic factors like Achievement, Recognition, work itself and advancement satisfy higher level needs of employees however Extrinsic factors like Salary, working conditions, supervisor attitude satisfy lower-level needs. Managers do this by making jobs of employees more challenging so that recognition and feedback give internal satisfaction to employees. In organizational psychology, it is discussed that intrinsic motivation comes from people within therefore it gives more pleasure as compare to extrinsic which comes from any external factor like manager decides to reward you based on contribution. The research findings of Herzberg clearly narrate that providing extrinsic rewards only is riskier for the managers to motivate employees and get work done from them instead motivating or intrinsic factors to be provided by which employees feel pleasure in completing challenging tasks and receiving feedback and recognition in the end (Dessler, 2020).

Conceptual Framework



Research Methodology

Nature of Research

This research is quantitative in nature. Bryman (2015) discussed that quantitative research is one in which researcher uses numerical data to analyze the relationship between predictors and explained variables. This research investigates the relationship between financial and non-financial incentives on employee motivation and commitment of teachers at higher education institutes.

Population and Sample

Using convenience sampling method employees of top three public sector universities situated in Jamshoro city i-e University of Sindh Jamshoro campus, Liaquat University of Medical and Health Sciences, Jamshoro and Mehran University of Engineering and Technology Jamshoro are selected. Two hundred questionnaires were distributed among faculty members and admin employees of three selected universities. Out of these, 180 questionnaires were correctly filled and returned. Using simple random sampling method, one hundred questionnaires were distributed among faculty members and one hundred to admin employees. Out of one hundred faculty, 66% were males and 40% were females, their job positions were Lecturers, Assistant Professors, Associate Professors and Professors from three public sector universities. Remaining one hundred questionnaires to admin employees were; Assistants, Superintendents, computer programmers, and Accountants. Out of them, 70% were males and 30% females.

The summary of above discussion is tabulated below:

Table1: Survey questionnaire distribution table

Demographic Factors	Sindh Univ	MUET Univ	LUMHS Univ
Gender			
Male	60	40	32
Female	40	16	12
Total **(200)**			
Designiation (Faculty)			
Lecturer	20	10	05
Assistant Professor	15	10	10
Associate Professor	10	05	05
Professor	04	03	03
Designation (Admin)			
Assistants	15	05	05
Superintendents	08	10	10
Computer programmers	17	10	05
Accountants	05	05	05
Total (200)			

Scale and Measurement

This study includes five points Likert scale, i-e 1. Strongly disagree, 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree. Items of each variable included in the closed ended. Five constructs of financial incentives were adopted from Pregnolato (2010), Five constructs of non-financial incentives from Bustamam et al. (2014), Six Constructs of Employee Motivation from Musinguzi et al. (2018), and eight constructs of Employee Commitment from Mayer et al. (1993). This research aimed to collect primary data through closed ended questionnaire.

Closed ended questionnaire used to collect primary data in which multiple choice questions are given on a questionnaire to all respondents involved in the research as target respondents. Survey research is a type of research in which closed ended questionnaire is used to collect quantitative data (Bryman, 2015).

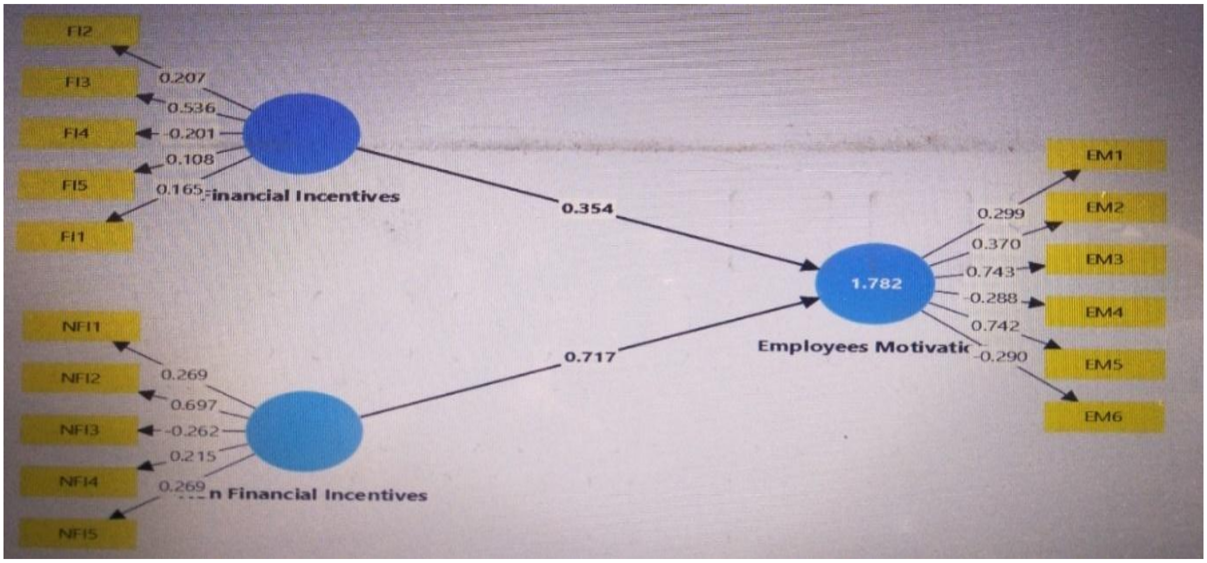
Data collection and Analysis tools

Data was collected through survey questionnaire distributed among respondents of three public sector universities. Two software tools were used to analyze the data, Statistical Packages for Social Sciences (SPSS) and Smart PLS-3. Data analysis tools used in the study are, construct validity and reliability, Discriminant validity analysis using Fornell Larcker Criterion, Model Fitness using Standardized Root Mean Square Residual and Normed Fit Index and Variance Inflation Factor for multicollinearity analysis.

Data Analysis

Structural Equation Model 1 of Financial and Non-Financial Incentives with Employee Motivation

Pic 1



Structural Equation Model 2 of Financial and Non-Financial Incentives with Employee Commitment

Pic 2

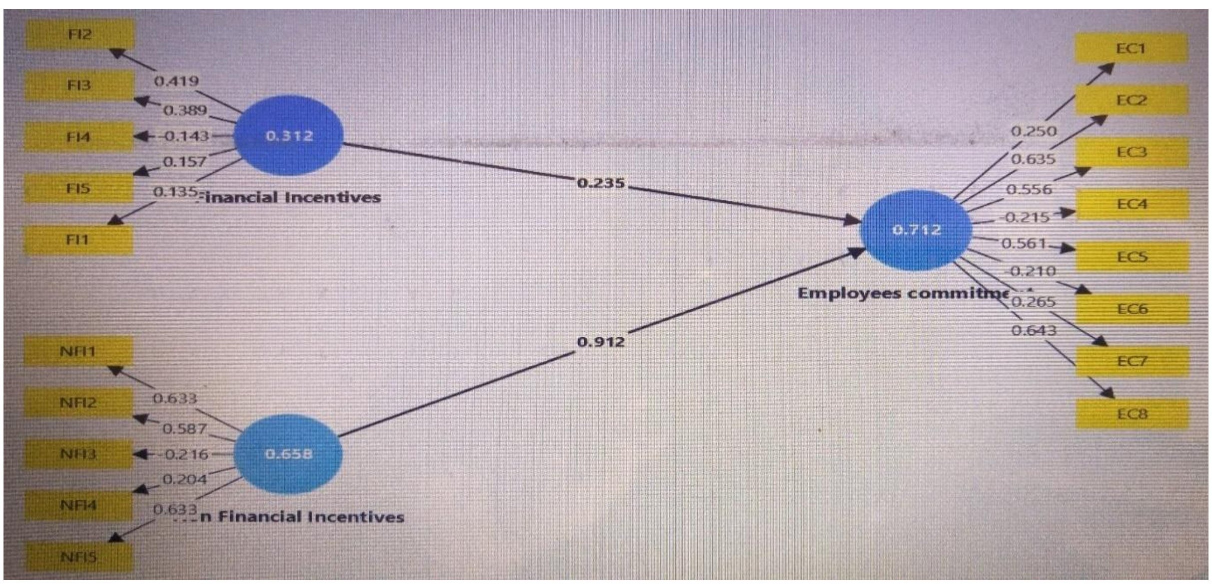


Table-2: Construct Validity and Reliability Analysis

Variables	Cronbach Alpha	Composite Reliability	Average Variance Extracted
Financial Incentives	0.744	0.851	0.689
Non-Financial Incentives	0.757	0.897	0.776
Employee Motivation	0.812	0.871	0.640
Employee Commitment	0.861	0.880	0.644

Table 2 shows validity and reliability analysis of explanatory and explained variables. Data is empirically valid if its AVE value is >0.50 (Bryman, 2015). Financial Incentives AVE is 0.689>0.50, Non-Financial Incentives AVE is 0.757>0.50. Employee Motivation AVE is 0.640>0.50 and Employee commitment AVE is 0.644>0.50. All

results show constructs are highly correlated with their respective variables, therefore data is said to be significantly valid.

Reliability analysis shows internal consistency among constructs of variables. Data is said to be reliable if its internal consistency among items of each variable is >0.70 (Bryman, 2015). In above table, all four variables' composite reliability value is >0.70 means internal consistency of all constructs is good and data is reliable.

Table 3: Discriminant Validity Analysis using Fornell Larcker criterion

Constructs	FI	NFI	EMPM	EMPC
FI	0.805			
NFI	0.644	0.786		
EMPM	0.579	0.677	0.818	
EMPC	0.610	0.692	0.655	0.785

Discriminant validity shows each construct average variance supposed to be greater than variances of other constructs in respective rows and columns. Then it can be empirical confirmation about each construct which is statistically different from other constructs included in the study (Hamid et al., 2017). Results show the average variance of Financial Incentives is 0.805 which is greater than other variances of constructs in the respective row and column. Likewise, Non-Financial Incentives average variance is 0.786 greater than variances of other constructs, Employees Motivation value is 0.818 and Employees Performance value is 0.785. All constructs are statistically different which confirms discriminant validity in the data.

Table 4: Model Fitness Standardized Root Mean Square Residual (SRMS), Normed Fit Index and R Squared using SEM Analysis (Model 1)

Fit Summary	Saturated Model	Estimated Model
Standardized Root Mean Square Residual (SRMR)	0.077	0.077
Normed Fit Index	0.928	0.928
R Squared:	0.771	

Standardized Root Mean Square Residual is the difference between observed correlation and model implied correlation matrix. Its acceptable value is <0.10 or 0.08 (Stone, 2021). In above table, the SRMR value is 0.078<0.08 it means the observed model is best fit. If Normed Fit Index (NFI) value is >0.90 model is considered to be best fit (Bentler & Bonnet, 1980). In above table the NFI value is 0.928>0.90 means the model is best fit. R square is supposed to measure percentage change in dependent variable explained by predictors. If R Square value is above 0.50 means moderate effect is observed on dependent variable if it is greater than 0.70, means it has significant effect on dependent variable (Bryman, 2015). In above table, the R squared value is 0.771 which means 77% change in employee motivation is due to Extrinsic and Intrinsic Rewards given to them.

Table 5: Model Fitness Standardized Root Mean Square Residual (SRMS), Normed Fit Index and R Squared using SEM Analysis (Model 2)

Fit Summary	Saturated Model	Estimated Model
Standardized Root Mean Square Residual (SRMR)	0.070	0.070
Normed Fit Index	0.931	0.931
R Squared:	0.712	

In above table the SRMR value is 0.070 <0.08, NFI value is 0.931>0.90 interpreted that observed model is best fit. The R squared value is 0.712 means 71% change in employee commitment is strong influence of predictors on dependent variable. It further interprets that 71% change in employee commitment is explained by financial and non-financial incentives offered to employees in higher education institutes.

Table 6: Variance Inflation Factor (Multicollinearity Analysis)

Predictors	Values of Correlation
Financial Incentives	1.777
Non-Financial Incentives	2.220

Variance Inflation Factor attempts to measure collinearity among predictors in the research model. High collinearity creates problem in the research model as both predictors change together so it will be difficult to know each predictor's effect on dependent variable. If the VIF value is <5.0 then its correlation is weak and model is statistically significant (Murray et al., 2012). In above table, first predictor i.e. Financial Incentives value is 1.77<5.0, second predictor i-e non-financial incentives value is 2.220<5.0. Both predictors do not have any issue of multicollinearity therefore model is statistically significant.

Discussion

Table 7: Hypotheses Accepted/Rejected Results

Hypotheses	Beta	T Statistics	P-Values	Accepted/Rejected
Fin Inc - > Emp Motiv (H1)	0.361	13.713	0.000	Accepted
Fin Inc - > Emp Commit (H2)	0.210	5.878	0.000	Accepted
Non-Financial Inc - > Emp Motiv (H3)	0.410	12.821	0.000	Accepted
Non-Financial Inc - >Emp Commit (H4)	0.354	10.048	0.000	Accepted

H1: Financial Incentives are positively associated with employee motivation with the Beta value 0.361 that is positive, T statistics is 13.71>2.0, and P value is 0.000<0.05 indicates that Financial Incentives enhance motivation level of employees. Ekhayemhe and Oguzie (2018) results endorsed that financial incentives have positive and significant effect on employees' motivation. H2: Financial Incentives and employee commitment with Beta 0.210 that is positive, T statistics 5.878>2.0 and P Value 0.000<0.05 is accepted. Shalini (2020) research findings also reveal that market based competitive monetary benefits enhance their commitment level and improves organizational performance. H3: Non-Financial Rewards are positively associated with employee motivation with Beta value 0.410 which is positive, T statistics 12.821>2.0, P value 0.000<0.05 indicates that employees are motivated enough in response to Non-Financial Incentives given to them. (Kurdi et al., 2020) research findings also endorsed that work appreciation and recognition (non-financial incentives) are positively associated with employee's motivation. Teo et al. (2020) also endorsed that non-financial incentives have positive and significant association with employees' motivation.

H4: Non-Financial Incentives with Employees Commitment Beta value 0.354 that is positive, T statistics 10.048>2.0, and P-value 0.000<0.05 indicates that Non-Financial Incentives have positive and significant effect on employee commitment in higher education institutes. Ghosh et al. (2016) findings reveal that employees prefer cash as financial incentive but show commitment more with non-financial incentives, i-e recognition and appreciation.

Conclusion

The study concluded that financial and non-financial compensation positively associated with employees' motivation and commitment in higher education institutes. Main objective of this research was to study financial and non-financial incentives and their association with employees' motivation and commitment. Survey questionnaire was distributed among two hundred employees of three selected universities. Faculty members and administrative staff of selected public sector universities are motivated enough with grant of financial benefits, i-e salary, promotion and non-financial benefits like job recognition, achievement and growth as well as their commitment level was also increased. Careful data analysis of main variables; i-e financial incentives with reliability value, i-e >0.80, AVE >0.60, Positive Beta and T values >12.0 indicate its statistical significance. Non-Financial Incentives also show significant results, i-e reliability>0.85, AVE >0.75, Positive Beta and T value > 5.0 indicate the importance of these incentives too. Both extrinsic and intrinsic rewards not only motivate employees but reduce turnover rate and increase their commitment to work with higher education institutes.

Future Research

This study can only include three largest public sector universities of Jamshoro city. Both financial and non-financial incentives influence on employee commitment and motivation can also be studied in other corporate sectors of the country too. Future researchers can study impact of these incentives on employees working in private educational institutes of the country too. Comparative analysis between extrinsic and intrinsic rewards will also be a valuable addition in future research because in many studies one group of employees prefer extrinsic over intrinsic rewards and other employees' perception is vice versa.

Practical Implication

The findings of this research study are valuable insight for higher education institutes to motivate employees and increase their commitment level with the employer. In response to motivating employees and increasing their level of commitment, performance will also be improved and it will also enhance goodwill of educational institutes in the society and country at large. As satisfying employees is also one of the prerequisites for fulfilling corporate social responsibilities. Therefore, awarding attractive tangible and adequate intangible rewards to employees in just and judicious way will create a better working environment for all stakeholders of higher education institutes. Top management of these higher education institutes must devise stability compensation strategy for continuing grant of financial and non-financial incentives to employees for sustainable growth and development.

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