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Effect of Financial Incentives on Financial Performance of Equity Bank Rwanda Limited

Ineza Marie Paule

Senior Accountant Officer, Equity Bank, Rwanda

Gregory Namusonge

Professor, Jomo Kenyatta University of Agriculture and Technology, Kigali, Rwanda

Abstract:

*The purpose of this study was to examine the effect of financial incentives on financial performance of Equity Bank Rwanda Ltd because it is believed that poor financial motivations affects performance of employees which in turn affects financial performance of organizations including Banking institutions. This research was achieved by use of three specific objectives namely; to examine the effect of Staff loan on financial performance of Equity Bank Rwanda Ltd; to assess the effect of Profit Sharing on financial performance of Equity Bank Rwanda Ltd and to examine the effect of Bonus Pay affects financial performance of Equity Bank Rwanda Ltd. The target population of the study was 80 staffs of Equity Bank Rwanda Limited and a sample of 67 staff were purposively sampled. Both primary and secondary sources of data source were consulted by used of questionnaire and documentary analysis as a recommended data collection tools. Data was processed by use of SPSS program and analyzed by use of frequency, mean and standard deviation, and the results represented in table. In the findings it was established that Staff loan, Profit Sharing and Bonus Pay greatly affects the financial performance of Equity Bank Rwanda inform of the Bank net profit, return on capital, and return on asset, equity and loan and Bank liquidity. The Table 14 gave the relationship between Financial incentives and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .682** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers concluded that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between financial incentives and financial performance. We can therefore conclude financial incentives greatly contribute to positive financial performance.*

1. Introduction

The survival of a business organization in the contemporary world of investment critically depends on the productivity of its resources, including human activity. This issue of performance draws to itself considerable attention, in a bid to address the question as to whether the performance should be induced by extra perks or not, and if so, who should be the motivation targets.

Among the popular perceptions in the regard is the Agency problem. According to Murphy (1998), the agent's problem is that he may be faced with decisions to act either in the principal's interest, his own interest, or some compromise between the two when they do not coincide. Managers may use their discretion to benefit their private interests in a variety of ways (Shleifer & Vishny, 1997). They may, as Jensen (1986) suggests, fail to distribute excess cash when the firm does not have profitable investment opportunities. Managers also may entrench themselves in their positions, making it difficult to oust them when they perform poorly (Shleifer & Vishny, 1989). Any discussion of executive compensation must proceed against the background of the fundamental agency problem afflicting management decision-making.

Concerning the solution to the agency problem, studies have pointed at two different viewpoints: Policing and surveillance; (Agarwal & Knoeber, 1996). According to the author, this agency problem can be solved through different ways, including policing and surveillance mechanisms, and incentives to the management of the organization in question. While Policing mechanisms are mechanisms intended to limit the agent's discretion, such as surveillance or specifically directed tasks (Agarwal & Knoeber, 1996), Incentive systems are mechanisms that offer rewards to the agent for acting in accordance with the principal's wishes, such as bonuses and increased pay (positive incentives) or fear of reprisals (negative incentives). The problem with policing and incentives is that they create costs for the principal; this creates a potential paradox in that it is only rational to implement policing and incentive mechanisms if the increased return to the principal's objective outweighs the cost of policing and incentives.

Another viewpoint is that of optimal contracting. The optimal contracting view recognizes that managers suffer from an agency problem and do not automatically seek to maximize shareholder value. Thus, providing managers with adequate incentives is important (Arye & Fried, 2003). Under the optimal contracting view, the board, working in shareholders' interest, attempts to cost-effectively provide managers such incentives through their compensation packages. Optimal compensation contracts could result

either from effective arm's length bargaining between the board and the executives, or from market constraints that induce players to adopt such contracts even in the absence of arm's length bargaining. The duo finds out that neither of these forces can be expected to constrain effectively departures from arm's length outcomes.

Further, Guay and Larcker (2001) opine that under optimal contracting programmes are designed by boards seeking to provide managers with efficient incentives to maximize shareholder value. According to them, the main flaw with existing practices seems to be that, due to political limitations on how generously executives can be treated, compensation schemes are not sufficiently high powered (Jensen & Murphy, 1990).

Research on whether performance pays for managers boosts firms' productivity or not, has dominated research headings. While some of the researchers (Bandiera, *et al.*, 2007) have looked at the issue from the manager-subordinate motivation viewpoint, others have studied the relationship between the variables with a focus on the managers only (Newton, 2013). Moreover, another category of researchers have given attention to different aspects of organizational activity and performance. (Andrea, *et al.*, 2004) link human resource-based performance to executive compensation. They argue that when managers have private information about how productive assets are under their control and receive private benefits, substantial bonuses are required to induce less productive managers to declare that capital should be reallocated. To them, the need to provide incentives for managers to relinquish control links aggregate capital reallocation to executive compensation and turnover over the business cycle. (Maksimovic & Phillips, 2001) who show that the fraction of plants which change hands per year is higher in expansion years than in recession years term the performance of firms under managerial motivation as indeterminate, subject to the manipulation of reports in what could be called innovative accounting to reflect what is not the reality, besides the fact that it leads to managers developing biases towards productive and against less productive workers. (Leslie & Oyer, 2009) study different sets of companies in the United Kingdom: Privately and publicly owned. They associate stronger incentives with Private Equity-backed firms which also have fewer agency problems and higher performance, compared to their publicly held counterparts. They go on to measure whether Private equity -backed firms outperform their public counterparts in profitability and operational efficiency. They find that Private firms' investment returns are high (Kaplan & Schoar, 2005), but it remains unclear whether this is due to value creation or value capture by investors and employees.

In their research titled "Managerial incentives in Hierarchies: Evidence from a field experiment", Bandiera, *et al* (2005) study European and American firms. They present evidence from a firm level experiment in which they engineered an exogenous change in managerial incentives from fixed wages to performance pay based on the average productivity of lower-tier workers. They find that while at the aggregate level average productivity increased by 21% at the individual worker level, the effects were very heterogeneous. Productivity increased significantly for the most able and motivated workers, while it decreased for the least able workers. In addition, the most able workers were more likely to be retained in the workforce after the introduction of managerial performance pay, and this selection effect accounted for at least 50% of the productivity gains, making the performance motivation ineffective.

2. Statement of the Problem

Unsatisfied employees produce unsatisfactory results, therefore, it is very vital for top management to take care of their employees to ensure that they are satisfied in their jobs; when they are satisfied; they strive for the company's goals and aim (Latham, 1994; Egan, 1998). The success of any organization depends on the ability of managers to provide a motivating environment for its employees. The challenge for managers today is to keep the staff motivated and performing well in the workplace due to social, economical and technological changes around the world, hence it is believed that some organization performance is affected by poor motivation system in place.

This study investigated whether financial incentives are the reasons for the growth of financial institutions. Commercial Banks in developing countries motivate employees in different ways like providing transport allowances, giving leaves and leave pay where necessary, paying salary in time, having annual get together parties with bonus pay, rewarding and many other financial incentives but however in spite of all these some commercial Banks financial performance is still below the expected returns and others are making losses. Therefore, the study was set to find out the effects of financial incentives on financial performance of Banks in Rwanda.

3. Objectives of the Study

The general objective of this study is to examine the effect of financial incentives on financial performance of Equity Bank Rwanda Ltd.

3.1. Specific Objectives

1. To examine the effect of Staff loan on financial performance of Equity Bank Rwanda Ltd
2. To assess the effect of Profit Sharing on financial performance of Equity Bank Rwanda Ltd.
3. To examine the effect of Bonus, Pay on financial performance of Equity Bank Rwanda Ltd.

3.2. Research Hypothesis

1. What is the effect of Staff loan on financial performance of Equity Bank Rwanda Ltd?
2. What is effect of Profit Sharing on financial performance of Equity Bank Rwanda Ltd?
3. What is effect of Bonus Pay on financial performance of Equity Bank Rwanda Ltd?

4. Materials and Methods

4.0. Introduction

This chapter specifically covers the research design, the population, sample selection, data collection, measurement of variables, processing and analysis of data and ethical considerations.

4.1 The Research Design

This research used descriptive design basing on both qualitative and quantitative research approaches. For quantitative approach, responses from responses were collected, arranged and attributed numerical values. Therefore, the qualitative approach followed because of the need to use some procedures of quality assessments. This kind of research design best suited to collect the data since it gave the researcher a chance to collect primary data from the entity. In his regard the researcher was able to interact with the staff in the entity which made it possible to understand the dynamic factors of the research by having a firsthand experience.

4.2. Target population

The population of the study comprised of 80 permanent employees of Equity Bank Rwanda Head Quarters. The particular relevance to the study is the fact that the study area, Equity Bank is one of the fast expanding Bank in East African region Banks. Hence, there is need to analyze its financial performance especially in Rwanda where they have got new branches.

4.3. Sample Frame

Category	Target population	Sample size	Sampling method
Administration	5	4	Random sampling
Finance and accounting	6	5	Random sampling
Compliance	6	5	Random sampling
Audit	5	3	Random sampling
Credit officers	28	25	Random sampling
Operations	30	25	Random sampling
Total	80	67	

Table 1

4.4. Sample Design

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample (Kothari, 2004).

4.4.1. Sample Size Determination

When it is not possible to study an entire population but the population is known, a smaller sample is taken from strata by random sampling technique. Slovin's formula allows a researcher to sample the population with a desired degree of accuracy (Stephanie, 2013). Slovin's formula was used to calculate the sample size.

With regard to the level of accuracy, we used a confidence level of 95% as suggested by Kothari (2004), this means that there are 95 chances in 100 (or .95 in 1) that the sample results represent the true condition of the population within a specified precision range against 5 chances in 100 (or .05 in 1) that it does not. The Slovene's formula is calculated as follows:

$$n = \frac{N}{1 + Ne^2}$$

n= Number of samples or sample size

N= Total population

e= Error tolerance

The population size of this research is 80 employees of Equity Bank Rwanda. We take a sampling error of 5%, and then the sample size was:

$$n = 80/1+80(0.05*0.05)$$

$$n = 80/ 1+80*0.0025$$

$$n = 80/1.2$$

$$n = 67$$

Therefore, the sample size was 67 respondents.

4.5. Data Collection Instruments

Data is facts or things certainly known and from which conclusions may be made. The main sources of data collection referred to when conducting this study was both primary and secondary sources of data. The survey questionnaire was used as the main data collecting instrument, and the secondary data was gathered from books, research articles and appropriate websites that are relevant to this study.

4.5.1. Questionnaires

This is an important method of data collection. Judd (1991) said that a questionnaire is justifiable in data collection mainly because; it enables the researcher to collect large amount of data within a short time period, it also provides opportunity for respondents to give frank, anonymous answers. One set of questionnaire was designed for the staff members; which included both open and closed ended set of questions that to be answered. The questionnaire was written in a simple and clear language for the respondent to feel free while answering. In addition to that the use of questionnaire is considered vital to the research since it provided accurate information regarding the study.

4.5.2. Documentary Review

This research also reviewed literature obtained from the case study organization. This literature included Bank financial statement, annual reports and other reports from the Bank. This method was chosen because; it is vital in providing background information and facts about risk management system and performance of the Bank before primary data could be collected. Indeed, before field data is collected, a wide collection of data had been collected and this was used to cross check with the primary data that is to be obtained by the field.

4.6. Reliability and Validity

Validity is the extent to which a test measures what it is supposed to measure. The question of validity is raised in the context of the three points made above, the form of the test, the purpose of the test and the population for whom it is intended (Cronbach, 1990). The validity of instruments was used to test validity of the instruments to be used. This includes item analysis that is carried out with the aid of the supervisor, research experts knowledgeable about the themes of the study. The process involves examining and assessing each item in each of the instruments to establish whether the item brings out what it is expected to do.

Item analysis is conducted using the scale that runs from relevant(R), neutral (N), to irrelevant (IR). This assessment gave a content validity ratio (CVR) for each instrument which is computed using the formula:

$$\rightarrow CVR=R/(R+N+IR)$$

Where CVR, R, N, AND IR are as mentioned above. The CVR obtained will be greater than 0.5, implying that the instruments were valid.

Reliability is the degree to which a test consistently measures whatever it measures. Errors of measurement that affect reliability are random errors and errors of measurement that affect validity are systematic or constant errors (Cronbach, 1990). Test-retest, equivalent forms and split-half reliability are all determined through correlation. Test-retest reliability is the degree to which scores are consistent over time. It indicates score variation that occurs from testing session to testing session as a result of errors of measurement. The reliability of the questionnaire was computed using the Cronbach method of internal consistency. From the computation, the value of the coefficient greater than 0.5, shall imply that the results from the instruments are reliable.

4.7. Data Analysis Procedures

The data collected was processed and analyzed using SPSS (Version 22). This involved data coding, editing and tabulation especially quantitative data. The purpose of all these is to make the information clear and understandable for other people. Qualitative analysis technique was used. The Qualitative analysis techniques complemented with some statistics that was mainly obtained from the secondary data that was obtained through documentary analysis from the case study organization. The SPSS established correlational relationship between the independent variable and dependent variables (financial incentives and financial performance of the Banks).

The Mean (\bar{X}) According to Aggesti (2009), Mean (\bar{X}): is the average value calculated by adding up the values of each case for a variable and dividing by the total number of cases.

$$\bar{X} = \frac{1}{n} \sum_{i=1}^n xi$$

Where, \bar{X} = mean; n = number total of respondents;

xi = scale value of respondent

Mean	Evaluation
1.00 -2.49	Very weak
2.50 -3.49	Weak
3.50 -4.49	Strong
4.50 - 5.00	Very Strong

Table 2: Evaluation of Mean

Source: Aggesti (2009)

Standard deviation (SD)

The standard deviation is a value which indicates the degree of variability of data. It indicates how close the data is to the mean. The

formula of standard deviation is: $(S) = \sqrt{S^2}$ Where, $S^2 = \frac{1}{n-1} \sum_{i=1}^n (xi - \bar{X})^2$

Standard Deviation	Level spreading
SD<0.5	Homogeneity
SD>0.5	Heterogeneity

Table 3: Evaluation of standard deviation
Source: Aggesti (2009)

Pearson Correlation test: The Pearson correlation coefficient is a very useful way to measure the statistical relationship that exists between independent and dependent variables.

Correlation coefficient (positive or negative)	Label/positive or negative
r=1	Perfect linear correlation
0.9 < r < 1	Positive strong correlation
0.7 < r < 0.9	Positive high correlation
0.5 < r < 0.7	Positive moderate correlation
0 < r < 0.5	Weak correlation
r=0	No, relationship
-1 < r < 0	Negative relationship

Table 4: Evaluation of correlation
Source: (Saunders, 2003)

5. Results and Interpretation

5.1. Staff Loan on Financial Performance of Equity Bank Rwanda Ltd.

5.1.1. Assessing Staff loan in Equity Bank Rwanda Ltd.

Table 5 assesses the Staff loan in Equity Bank Rwanda Ltd

Staff loan	Mean	Std. Deviation	Comments
The Bank provides desired credit to staff	4.1493	.67988	Strong Heterogeneity
The Bank provides staff loan at a reduced interest rate	4.8209	.38633	Very Strong Heterogeneity
The Bank staff loan has helped promote education for my family	4.4179	.78140	Strong Heterogeneity
The Bank staff loan has helped to acquire transport means for my family	3.9254	.78458	Strong Heterogeneity
The salary package has lunch components which facilitate me to work harder	3.9403	.96735	Strong Heterogeneity
The salary package has enabled me to plan for my future	4.0299	.88712	Strong Heterogeneity
Valid N (listwise)	67		

Table 5: Staff loan in Equity Bank Rwanda Ltd
Source: Primary data, 2016

Table 5 assesses the Staff loan in Equity Bank Rwanda Ltd and the results were as analyzed as below;

The Bank provide desired credit to staff: This was indicated by a strong mean of 4.1493 and a heterogeneity standard deviation of .67988. This implies that Bank provide desired credit to staff which can make staffs acquire their basic requirements. The Bank provide Staff loan at a reduced interest rate: This was indicated by a very strong mean of 4.8209 and a heterogeneity standard deviation of .38633. This implies that the Bank provide Staff loan at a reduced interest rate.

The Bank Staff loan has helped promote education for my family: This was indicated by a strong mean of 4.4179 and a heterogeneity standard deviation of .78140. This implies that the Bank Staff loan has helped promote education for my family. The Bank Staff loan has helped acquired transport means for my family: This was indicated by a strong mean of 3.9254 and a heterogeneity standard deviation of .78458. This implies that the Bank Staff loan has helped acquired transport means for my family

The Bank Staff loan has helped acquired land for my family: This was indicated by a strong mean of 3.9403 and a heterogeneity standard deviation of .96735. This implies the Bank Staff loan has helped acquired land for my family. The Bank Staff loan has helped built a house for my family: This was indicated by a strong mean of 4.0299 and a heterogeneity standard deviation of .88712. This implies the Bank Staff loan has helped built a house for my family.

5.1.2. Effect of Staff Loan on Improved Financial Performance of Equity Bank Rwanda Ltd

Table 6 describes respondent's views on whether staff loans have improved financial performance of Equity Bank Rwanda.

Effects	Mean	Std. Deviation	Comments
Staff loan has improved the Bank net profit	4.0896	.75340	Strong Heterogeneity
Staff loan has improved the Bank return on capital	4.1194	.70759	Strong Heterogeneity
Staff loan has improved the Bank return on asset	3.9403	.69371	Strong Heterogeneity
Staff loan has improved the Bank return on equity and loan	3.9552	.72682	Strong Heterogeneity
Staff loan has improved the Bank liquidity	4.2537	.74556	Strong Heterogeneity
Valid N (listwise)	67		

Table 6: Effect of Staff loan on financial performance of Equity Bank Rwanda Ltd

Source: Primary data, 2016

Table 6 describes respondent's views on whether staff loans has improved financial performance of Equity Bank Rwanda and the findings were as discussed as below in details;

Staff loan has improved of the Bank net profit: This was indicated by a strong mean of 4.0896 and a heterogeneity standard deviation of .75340. This implies that Staff loan has improved of the Bank net profit.

Staff loan has improved of the Bank return on capital: This was indicated by a strong mean of 4.1194 and a heterogeneity standard deviation of .70759. This implies that Staff loan paid to employees has improved of the Bank return on capital. Staff loan has improved of the Bank return on asset: This was indicated by a strong mean of 3.9403 and a heterogeneity standard deviation of .69371. This implies that Staff loan has improved of the Bank return on asset. Staff loan has improved of the Bank on equity and loan: This was indicated by a strong mean of 3.9552 and a heterogeneity standard deviation of .72682. This implies that Staff loan paid has improved of the Bank on equity and loan. Staff loan has improved of the Bank liquidity: This was indicated by a strong mean of 4.2537 and a heterogeneity standard deviation of .74556. This implies that Staff loan has improved of the Bank liquidity.

5.1.3. Relationship Staff Loan and Financial Performance in Equity Bank Rwanda Ltd

Relationship		Staff Loan	Financial Performance
Staff loan	Pearson Correlation	1	.721**
	Sig. (2-tailed)		.000
	N	67	67
Financial performance	Pearson Correlation	.721**	1
	Sig. (2-tailed)	.000	
	N	67	67

** . Correlation is significant at the 0.01 level (2-tailed).

Table 7: Relationship Staff loan and financial performance in Equity Bank Rwanda Ltd

The Table 7 is giving the relationship between Staff loan and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .721** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Staff loan and financial performance. We can therefore conclude Staff loan greatly contribute to positive financial performance.

5.2. Profit Sharing on Financial Performance of Equity Bank Rwanda Ltd

Profit Sharing in Equity Bank Rwanda Ltd	Mean	Std. Deviation	Comments
The Bank share profit with employees	4.1194	.89650	Strong Heterogeneity
The profit is shared based on performance of individuals	4.3881	.90378	Strong Heterogeneity
The profit is shared according to performance of branches	3.9254	.78458	Strong Heterogeneity
Valid N (listwise)	67		

Table 8: Profit Sharing in Equity Bank Rwanda Ltd

Source: Primary data, 2016

Table 8 describes Profit Sharing in Equity Bank Rwanda Ltd and the findings were as discussed below;

The Bank share profit with employees: This was indicated by a strong mean of 4.1194 and a heterogeneity standard deviation of .89650. This implies that the Bank share profit with employees quarterly. The profit is shared based on performance of individuals: This was indicated by a strong mean of 4.3881 and a heterogeneity standard deviation of .90378. This implies that the profit is shared based on performance of individual staffs. The profit is shared according to performance of branches: This was indicated by a strong mean of 3.9254 and a heterogeneity standard deviation of .78458. This implies that the profit is shared according to performance of branches.

5.2.2. Assessment whether Profit Sharing has Improved on Financial Performance of Equity Bank Rwanda Ltd

Table 9 describes respondent's views whether Profit Sharing has improved on financial performance of Equity Bank Rwanda Ltd.

Effects	Mean	Std. Deviation	Comments
Profit sharing has improved the Bank net profit	4.1343	.86857	Strong Heterogeneity
Profit sharing has improved the Bank return on capital	4.3582	.77267	Strong Heterogeneity
Profit sharing has improved the Bank return on asset	4.2836	.77471	Strong Heterogeneity
Profit sharing has improved the Bank return on equity and loan	4.3881	.71679	Strong Heterogeneity
Profit sharing has improved the Bank liquidity	4.5224	.72526	Very Strong Heterogeneity
Valid N (listwise)	67		

Table 9: Assessment whether Profit Sharing on financial performance of Equity Bank Rwanda
Source: Primary data, 2016

Table 9 describes respondent's views whether Profit Sharing has improved on financial performance of Equity Bank Rwanda Ltd and the findings were as discussed below;

Profit sharing has improved of the Bank net profit: This was indicated by a strong mean of 4.1343 and a heterogeneity standard deviation of .86857. This implies that Profit sharing has improved of the Bank net profit. Profit sharing has improved of the Bank return on capital: This was indicated by a strong mean of 4.3582 and a heterogeneity standard deviation of .77267. This implies that Profit sharing has improved of the Bank return on capital. Profit sharing has improved of the Bank return on asset: This was indicated by a strong mean of 4.2836 and a heterogeneity standard deviation of .77471. This implies that Profit sharing has improved of the Bank return on asset.

Profit sharing has improved of the Bank on equity and loan: This was indicated by a strong mean of 4.3881 and a heterogeneity standard deviation of .71679. This implies that Profit sharing has improved of the Bank on equity and loan. Profit sharing has improved of the Bank liquidity: This was indicated by a very strong mean of 4.5224 and a heterogeneity standard deviation of .72526. This implies that Profit sharing has improved of the Bank liquidity

5.2.3. Relationship between Profit Sharing and Financial Performance in Equity Bank Rwanda Ltd

Table 10 describes the relationship between Profit Sharing and financial performance in Equity Bank Rwanda Ltd

Relationship		Profit Sharing	Financial Performance
Profit Sharing	Pearson Correlation	1	.793**
	Sig. (2-tailed)		.000
	N	67	67
Financial performance	Pearson Correlation	.793**	1
	Sig. (2-tailed)	.000	
	N	67	67

** . Correlation is significant at the 0.01 level (2-tailed).

Table 10: Relationship between Profit Sharing and financial performance in Equity Bank Rwanda Ltd

The Table 10 is giving the relationship between Profit Sharing and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .793** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Profit Sharing and Financial performance. We can therefore conclude Profit Sharing greatly contribute to positive Financial performance.

5.3. Bonus Pay Affect Financial Performance of Equity Bank Rwanda Ltd

5.3.1. Assessing Bonus Pay in Equity Bank Rwanda Ltd

Table 11 shows Bonus Pay in Equity Bank Rwanda Ltd

Bonus Pay	Mean	Std. Deviation	Comments
The Bank pays for extra responsibilities given to employees	4.4030	.77966	Strong Heterogeneity
The Bank pays for leave days not taken	4.2985	.75908	Strong Heterogeneity
The Bank pays for over time	3.8657	.45712	Strong Heterogeneity
The Bank pays for workshops outside the work place	4.3134	.78256	Strong Heterogeneity
Valid N (listwise)	67		

Table 11: Bonus Pay in Equity Bank Rwanda Ltd
Source: Primary data, 2016

Table 11 shows Bonus Pay in Equity Bank Rwanda Ltd and the findings were as discussed below in details; The Bank pay for extra responsibilities given to employees: This was indicated by a strong mean of 4.4030 and a heterogeneity standard deviation of .77966. This implies that the Bank pay for extra responsibilities given to employees. The Bank pays for leave without pay: This was indicated by a strong mean of 4.2985 and a heterogeneity standard deviation of .75908. This implies that the Bank pays for leave without pay. The Bank pay for over time: This was indicated by a strong mean of 3.8657 and a heterogeneity standard deviation of .45712. This implies that the Bank pay for over time

The Bank pay for workshops outside the work place: This was indicated by a strong mean of 4.3134 and a heterogeneity standard deviation of .78256. This implies that the Bank pay for workshops outside the work place.

5.3.2. Assessment Whether Bonus Pay Has Improved on Financial Performance of Equity Bank Rwanda Ltd

Table 12 describes respondent's views whether Bonus Pay has improved on financial performance of Equity Bank Rwanda Ltd

Effect of Bonus Pay	Mean	Std. Deviation	Comment
Bonus motivation has improved the Bank net profit	4.3134	.83863	Strong Heterogeneity
Bonus motivation has improved the Bank return on capital	4.4478	.80309	Strong Heterogeneity
Bonus motivation has improved the Bank return on asset	4.3731	.73517	Strong Heterogeneity
Bonus motivation has improved the Bank return on equity and loan	4.5075	.70438	Very Strong Heterogeneity
Bonus motivation has improved the Bank liquidity	4.3731	.77530	Strong Heterogeneity
Valid N (listwise)	67		

Table 12: Assessment whether Bonus Pay has improved financial performance of Equity Bank Rwanda Ltd

Source: Primary data, 2016

Table 12 describes respondent's views on whether Bonus Pay has improved on financial performance of Equity Bank Rwanda Ltd and the findings were as analyzed as below;

Bonus motivation has improved of the Bank net profit: This was indicated by a strong mean of 4.3134 and a heterogeneity standard deviation of .83863. This implies that Bonus motivation has improved of the Bank net profit. Bonus motivation has improved of the Bank return on capital: This was indicated by a strong mean of 4.4478 and a heterogeneity standard deviation of .80309. This implies that Bonus motivation has improved of the Bank return on capital. Bonus motivation has improved of the Bank return on asset: This was indicated by a strong mean of 4.3731 and a heterogeneity standard deviation of .73517. This implies that Bonus motivation has improved of the Bank return on asset.

Bonus motivation has improved of the Bank on equity and loan: This was indicated by a very strong mean of 4.5075 and a heterogeneity standard deviation of .70438. This implies Bonus motivation has improved of the Bank on equity and loan. Bonus motivation has improved of the Bank liquidity: This was indicated by a strong mean of 4.3731 and a heterogeneity standard deviation of .77530. This implies that Bonus motivation has improved of the Bank liquidity

5.3.3. Relationship between Bonus Pay and Financial Performance of Equity Bank Rwanda Ltd

Table 13 describes the relationship between Bonus Pay and financial performance of Equity Bank Rwanda Ltd

		Bonus Pay	Financial Performance
Bonus Pay	Pearson Correlation	1	.829**
	Sig. (2-tailed)		.000
	N	67	67
Financial performance	Pearson Correlation	.829**	1
	Sig. (2-tailed)	.000	
	N	67	67
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 13: Relationship between Bonus Pay and financial performance of Equity Bank Rwanda Ltd

The Table 13 is giving the relationship between Bonus Pay and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .829** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Bonus Pay and Financial performance. We can therefore conclude Bonus Pay greatly contribute to positive Financial performance.

5.4. Relationship between Financial Incentives and Financial Performance of Equity Bank Rwanda Ltd

Table 14 shows the Relationship between financial incentives and financial performance of Equity Bank Rwanda Ltd

Relationship		Financial Incentives	Financial Performance
Financial incentives	Pearson Correlation	1	.781**
	Sig. (2-tailed)		.000
	N	67	67
Financial performance	Pearson Correlation	.781**	1
	Sig. (2-tailed)	.000	
	N	67	67

** . Correlation is significant at the 0.01 level (2-tailed).

Table 14: Relationship between financial incentives and financial performance of Equity Bank Rwanda Ltd

The Table 14 is giving the relationship between Financial incentives and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .781** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between financial incentives and financial performance. We can therefore conclude financial incentives greatly contribute to positive financial performance.

6. Conclusion and Recommendation

6.1. Introduction

The chapter covers the summary, conclusion and recommendation of the findings. The summary covers the findings in relation to the objective of the study. The summary is followed by the conclusion which is based on the findings of the study. And recommendations to the challenges facing the Bank

6.2. Summary of Findings

The study was mainly concerned about the financial managerial incentives and Equity Bank Ltd performance in Rwanda. This summary was based on the objectives of the study.

6.2.1. Performance Trend of Equity Bank Rwanda limited

The findings on Performance trend of Equity Bank Rwanda limited shows that Equity Bank Rwanda limited return on capital, profitability improved, return on equity and loan, return on asset and liquidity improved in the last five years.

6.2.2. Effect of Staff loan on Financial Performance on Equity Bank Rwanda Ltd

In the finding it was established the Bank provide loans to their staffs at adequate interest rate. The Bank Staff loan has helped promote education for my family, acquired transport means for my family, acquired land for my family and built a house for my family. Table 5 gave the relationship between Staff loan and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .721** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Staff loan and financial performance. We can therefore conclude Staff loan greatly contribute to positive financial performance.

6.2.3. Effect of Profit Sharing on Financial Performance of Equity Bank Rwanda Ltd

The finding shows that Equity Bank Rwanda Ltd shares profit with employees based on performance of individuals and performance of branches. The respondents further stated that Profit Sharing greatly influences the financial performance of Equity Bank Rwanda Ltd inform of net profit, return on capital, and return on asset, equity and loan and Bank liquidity. The Table 5 gave the relationship between Profit Sharing and Financial performance whereby the respondents, N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .793** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Profit Sharing and Financial performance. We can therefore conclude Profit Sharing greatly contribute to positive Financial performance.

6.2.4. Effect of Bonus Pay Affects Financial Performance of Equity Bank Rwanda Ltd

The findings stated that Bonus Pay in Equity Bank Rwanda Ltd is provided for extra responsibilities given to employees, leave without pay, working overtime and workshops outside the work place. The respondents further stated that the effect of Bonus Pay affects financial performance of Equity Bank Rwanda Ltd positively inform net profit, return on capital, and return on asset, equity and loan and Bank liquidity. The Table 11 gave the relationship between Bonus Pay and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .829** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means

that there is a significant relationship between Bonus Pay and Financial performance. We can therefore conclude Bonus Pay greatly contribute to positive Financial performance.

6.3. Conclusion

From the findings it was established that Staff loan, Profit Sharing and Bonus Pay greatly affects the financial performance of Equity Bank Rwanda inform of the Bank net profit, return on capital, and return on asset, equity and loan and Bank liquidity. The table 4.16 gave the relationship between Financial incentives and Financial performance whereby the respondents N is 67 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .781^{**} and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between financial incentives and financial performance. We can therefore conclude financial incentives greatly contribute to positive financial performance.

6.4. Recommendations

The researcher came up with the following recommendations:

The management should further reduce the loan interest rate; this will encourage the staffs to work harder in order to meet the organization's goal.

The Bank should provide adequate bonus for staffs inform of overtime, communication allowance, lunch allowance medical allowance and many other bonuses. This will motivate staffs to work hard and promote performance of the organization.

The Bank should provide other forms of motivation for the staffs inform of salary loan and advance and this will further promote performance of the Bank hence promoting financial performance.

6.5. Areas for Further Research

The researcher considered the following areas for further studies;

- i. Effects of financial incentives on performance of development banks in Rwanda
- ii. Challenges affecting profit sharing in the banking institutions

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