

## Influence of Diversity Reward on Employee Commitment in the Banking Sector in Kenya

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Received 15 Sept 2017, Accepted 20 Nov 2017, Available online 25 Nov 2017, Vol.5 (Nov/Dec 2017 issue)

### Abstract

Despite the decades of equality legislation and declared commitment to equal opportunities in employment and remuneration, commercial banks in Kenya still have great disparities in the way that they reward their diverse workforce. This study purposed to determine the influence of diversity reward on employee commitment in the banking sector in Kenya. Specific objectives included; to determine the influence of intrinsic and extrinsic rewards on employee commitment. The study used a descriptive survey with a sample size of 384 respondents drawn from a target population of 36,212 employees comprised of top, supervisory, clerical and secretarial staff. The sample was obtained using stratified and simple random sampling techniques. From each stratum, a proportionate allocation was used to select a representative sample and data collected by questionnaires. The obtained data was analysed using descriptive, correlation and multiple linear regression analyses. Findings of the study indicated that commercial banks in Kenya provide both intrinsic and extrinsic rewards to all employees irrespective of their background and that these rewards had a significant influence on employee commitment. Nonetheless, extrinsic rewards were found to have a greater influence on employee commitment than that of intrinsic rewards. However, the study suggested that there is need for more research that would look at the influence of diversity rewards on other HR outcomes such as staff retention or job satisfaction or still on organizational commitment in other sectors in Kenya other than the banking sector.

**Keywords:** Diversity reward and employee commitment

### Introduction

The global business environment has become too competitive (Hafiza, Shah, Jamsheed, & Zaman, 2011) and as a result, the acquisition, retention and commitment of the right workforce has become a challenge (Khan, Shahid, Nawab & Wali, 2013; Hafiza *et al.*, 2011). Accordingly, employee retention is directly linked to employee commitment (Khan & Afzal, 2016) in the sense that the less committed the employees are, the less they are likely to stay. Rewards are a vital instrument in employee commitment and employee performance (Irshad, 2016; Safiullah, 2014; Malhotra, Budhwor & Prowse, 2007). These rewards can either be extrinsically or intrinsically offered to all or specific employees within the organization (Kilimo, Namusonge, Makokha & Nyagechi, 2016; Ali, Odhuno & Ondabu, 2015; Safiullah, 2014; Khan *et al.*, 2013; Nujjo & Meyer, 2012; Hafiza, *et al.*, 2011). According to Hafiza *et al.* (2011), extrinsic rewards are tangible rewards which are more external to the job or task performed by employees within the organization. External rewards are the salary/pay,

bonuses, incentives, promotions, and job security among many others. Further, intrinsic rewards are the intangible or psychological rewards such as appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining a specific goal (Nujjo & Meyer, 2012; Hafiza *et al.*, 2011). However, Frey (1997) argued that once pay exceeds a subsistence level, intrinsic factors tend to become stronger motivators to employees in the organization. Nonetheless, staff motivation requires intrinsic rewards such as an individual's satisfaction with doing a good job and a sense of doing something worthwhile.

Several studies have suggested that organizations tend to boost the commitment of their diverse workforce by offering rewards to a diverse workforce (e.g Nazir, Shafi, Qun, Nazir & Tran, 2016; D'Netto, Shen, Chelliah & Monga, 2014; Miao, Newman, Sun, & Xu, 2013; Malhotra *et al.*, 2007; Newman & Sheikh, 2012). Diversity rewards are both the extrinsic and intrinsic type of rewards offered to a diverse set of employees as articulated on a set of beliefs of fairness and equity, and the guiding principles that are consistent with the values of the organization (Nazir *et al.*, 2016; D'Netto *et al.*, 2014; Armstrong, 2012; Groeneveld, 2011). Diverse employees

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enter organizations with exclusive abilities, goals and at times with special needs. In turn, they expect to get a job environment in which they can practice their abilities, fulfil their needs and achieve their goals (Ashikali, & Groeneveld, 2013). According to the social exchange theory, the life of an employee involves a sequential series of transactions between the employer and the employee (Cropanzano, Anthony, Daniels & Hall, 2017; Mitchell, Cropanzano, & Quisenberry, 2012). In addition, the theory posits that employees can exhibit a greater obligation in a relationship which has 'favours' that create future obligations (Madera, Dawson, & Guchait, 2016; Kundu, 2016; Wikhamn & Hall, 2012). Accordingly, diversity reward practices can be regarded as a reflection of employee commitment philosophy (Kundu, 2016). Further, Danish and Usman (2010) underscored that effective diversity reward management leads to enhanced employee commitment. Furthermore, Chew (2008) argued that perceived fair pay and wages could be the main reason as to why employees and their employers agree on many issues. On the contrary, banking organizations in Kenya are faced with the challenge of promoting and paying employees from diverse cultural backgrounds without having to discriminate them (Opiyo & Abok, 2015; Maina & Munjuri, 2013). The differences in pay, and promotions coupled with other inequalities arise out of the failure to effectively manage HR diversity in terms of education level, and professionalism by the very organizations (Reskin, 2003). Nonetheless, Dubihlela and Rundora (2014) argued that there is increased global competition which has forced businesses and their managers to guarantee for increased employee commitment. This is because committed employees have a desire and willingness to pursue the objectives of an organization thereby making the business to excel. In addition, Ihionkhan and Aigbomian (2014) further argued that the strategies of reward management can be used by many firms to increase employee commitment through the creation of a sense of belonging.

### The Banking Sector in Kenya

Commercial banks in Kenya dominate the financial systems and therefore, their performance reflects the economic growth pattern and hence, all types of employees expect better financial rewards. Consequently, the performance of the banking sector has improved exponentially in terms of assets, customer base, advances and loans to their own clients including their members of staff (Ndung'u & Kwasira, 2016; Kyalo & Gachunga, 2015; Central Bank of Kenya, 2015). A total of 43 commercial banks have been licensed to operate in Kenya (CBK, 2015). The sector has also seen an increase in its profitability and deposits. According to the CBK (2016) the first quarter of 2016 saw an increase number of bank depositors to 37, 455,795 from 35,194,496 as at 31<sup>st</sup> December 2015. Similarly, the bank had employed 36,212

as of December 2015 from 34,064 in 2014 (CBK, 2015). However, commercial banks are faced with several challenges that includes; inequity in reward and compensation (Ndung'u & Kwasira, 2016; Opiyo & Abok, 2015; Ngui, Elegwa & Gachuga, 2014) increased competition for customers and amplified turnover which arises out of decreased commitment by employees (Nazir *et al.*, 2016; Kyambi, 2015).

To enhance employee commitment, Equity Bank avails modern, inclusive financial services that maximize employees' opportunities in its effort to manage HR diversity (Gacheri, 2012). Nonetheless, this just remains an effort. Similarly, employees in Barclays bank are treated fairly for them to contribute fully to the vision and goals of the bank (Barclays Bank's annual report, 2014). Consequently, global pillars of multiculturalism, gender, Lesbian, Gay, Bisexual and Transgender (LGBT) and disability, ensure that the bank caters for all. The strength of Standard Chartered Bank is in its ability to manage its HR diversity more effectively with a belief in equal representation of talent at all levels (Standard Chartered Bank's Diversity management report, 2014). Despite the effort in increased HR diversity, the exclusion of certain groups from circles of influence can prevent them from full contribution to and benefit from the firm's practices such as diversity rewards (Raza & Tariq, 2016).

### Statement of the Problem

Great disparities do exist in the way commercial banks in Kenya remunerate their diverse workforce today (CBK, 2012) with modest remuneration prospects for those with most sought specialized skills. They deliberately discriminate part of their workforce when it comes to rewards and compensation (Opiyo & Abok, 2015; Ngui *et al.*, 2014; CBK, 2012) despite several decades of equality legislation and the declared commitment to equal opportunities in both hiring and remuneration (Opiyo & Abok, 2015; Ndung'u & Kwasira, 2016). Therefore, the labour force in many commercial banks have been segmented by demographic characteristics such as gender, ethnicity and disability (Mariara, 2003). As a result, managers in this sector have failed to institute clear practices in rewarding its employees which then impacts negatively on employee commitment (Kamoche, Siebers, Mamman & Newenham-Kahindi, 2015). Consequently, they fail to give pay rises and promotions to some employees for fear of future interruptions (Gokulsing & Tandrayen-Ragoobur, 2014) and hence, they have pronounced wage differentials (Tandrayen-Ragoobur & Pydayya, 2016) which are based on certain demographic differences (Afande, 2015; Obiero, 2014). There exist great differences about the salary scales of employees working in the same job levels in their banks.

Many research studies have been conducted on reward management in organizations (Chelagat & Gachuga, 2016; Korir & Kipkebut, 2016; Ngui *et al.*, 2014; Ndung'u & Kwasira, 2016), however, many of them have

examined how organizational rewards relate to outcomes such as performance (e.g. Irshad, 2016; Kilimo *et al.*, 2016; Opiyo & Abok, 2015; Khan *et al.*, 2013) employee motivation (Hafiza *et al.*, 2016; Ndung'u & Kwasira, 2016; Safuillah, 2014) and job satisfaction (Khan & Afzal, 2016; Haider *et al.*, 2016; Ali *et al.*, 2015) and not much on how diversity rewards influences employee commitment in commercial banks in Kenya. According to Bana, Guyo and Odhiambo, (2016), several studies have also focused on workplace diversity status, but have not been able to address the gap between intrinsic and extrinsic rewards as used by organizations to enhance the commitment of a diverse workforce within the banking sector in Kenya (Ndung'u & Kwasira, 2016). In light of this dearth in diversity reward and employee commitment scholarship literature, this study sought to determine whether through intrinsic and extrinsic rewards on a diverse set of employees, their commitment to the organization can be influenced.

### Literature Review

According to Prouska, Psychogio, and Rexhepi (2016) any reward system can play a very crucial role in employee attraction, employee performance and the maintenance of employee commitment. Such reward systems must ensure that it includes everybody within the organization (Day, Holladay, Johnson, & Barron, 2014) and hence the diversity rewards concept. Diversity reward is defined as one that involves the extrinsic and intrinsic rewards as articulated on a set of beliefs of fairness and equity, and the guiding principles that are consistent with the values of the organization (D'Netto *et al.*, 2014; Armstrong, 2012). According to Kilimo *et al.* (2016) many firms offer both intrinsic and extrinsic rewards to its own members to improve the human resource outcomes such as commitment and performance. Accordingly, Aladwan, Bhanugopan, and D'Netto, (2015) suggested that it is important for employees to understand the rationale through which rewards are distributed for them to achieve their tasks and goals more effectively. However, when the pay systems are unequal then the workforce can become so dissatisfied and de-motivated (D'Netto, *et al.*, 2014). According to the equity theory, equity in the structure of pay and fair treatment of employees in all aspects is very key in ensuring employee commitment to the organization (Pritchard, 2016). Accordingly, when employees perceive procedures and practices as consistent, accurate and unbiased, then such procedures and practices will be considered fair and hence affect employee commitment positively (Choi & Rainey, 2014). In addition, a diversity climate that is perceived to be fair can increase the commitment and retention of minority employees.

Consequently, both extrinsic and intrinsic rewards of a diverse workforce have been linked to employee commitment by several studies (e.g. Aladwan *et al.*, 2015; Nujjo & Meyer, 2012; Chew, 2008). In an empirical study

to examine the effects of human resource management practices on organizational commitment in the middle east (Aladwan *et al.*, 2015) it was found that there is full association between HR diversity management practices with employee commitment. However, the study also established that diversity reward was not significantly related to employee commitment. Consistently, Robyn and Preez (2013) also found out that remuneration in isolation is not sufficient to affect employee commitment since employees can still stay because of other reasons. Nonetheless, Chew (2008) opined that perceived fair pay and wages may be the main reason as to why employees and employers agree on many issues and that employees remain committed to the organization. Further, the same study suggested that diversity reward encourage cooperation and team work among employees of all backgrounds. Consistently, D'Netto *et al.* (2014) found out that outstanding individual performance in the Australian manufacturing sector was not recognized and these resulted to a non-committal workforce.

On the other hand, Fenwick, Costa, Sohal and D'Netto (2011) posited that rewards that are based on performance tend to help reduce wage disparities and enhance employee commitment in organizations. According to Malhotra *et al.* (2007) there is a reciprocity relationship between diversity rewards and employee commitment. He explained that when monetary and non-monetary expectations of employees are fulfilled, then their affective commitment is increased. Consistently, Nujjo and Meyer (2012) asserted that intrinsic rewards are very powerful predictors of affective commitment. For, instance, women and minority members' intention to leave because of low commitment is mostly associated with intrinsic rewards while men's and majority members' decision is mostly motivated by extrinsic rewards (Meene & Vanka, 2013). Intrinsic rewards include intangible benefits that originate from the satisfaction of the job, such as responsibility, autonomy, participation in decision making, constructive feedback, while extrinsic rewards are the tangible benefits that are offered during the employment contract such as promotions, salary, among others (Nazir *et al.*, 2016; Miao *et al.*, 2013; Nujjo & Meyer, 2012). Extrinsic rewards are said to be of help in the development of trust and interest in pursuance of individual's goals and commitment (Burke, 2002). Nonetheless, both intrinsic and extrinsic rewards were found to be significantly related to both affective and normative commitment (Nazir *et al.*, 2016). Nujjo and Meyer, (2012) also found out that there is a relationship between all types of rewards and employee commitment.

Similarly, D'Netto *et al.* (2014) denoted that there is sufficient literature to suggest that diversity reward is meant to ensure pay equity and enhanced employee commitment. In a study to examine the effect of reward management on employees' commitment in public universities in Nakuru county (Korir & Kipkebut, 2016) it was found that financial reward had a moderate significant positive relationship with affective

commitment. further, the study also found a weak and significant positive relationship between financial rewards and normative commitment. Collectively, the study found that financial reward practices had a significant effect on employee commitment. These findings were supported by Ngui *et al.* (2014) who noted that both financial and non-financial rewards can combine to enhance firm performance because of enhanced commitment. The findings further revealed that there was a positive relationship between strategic reward and compensation and performance among the commercial banks in Kenya. They recommended that commercial banks should use both financial and non-financial rewards together with performance related pay schemes. Consistently, Chelangat and Gachunga (2016) concurred and denoted that committed employees produce better outcomes for their organizations. He further denoted that rewards are the best tools to enhance organizational commitment.

In a study to establish the relative importance of the different types of diversity rewards on employee motivation and commitment (Nujjo & Meyer, 2012) it was revealed that all types of reward had a significant relationship with employee commitment. Further, the relationship was found to be stronger for intrinsic rewards than for extrinsic ones. Nonetheless, it was also revealed that monetary rewards did not account for the variation in the intrinsic motivation above that of the non-monetary rewards. According to the study seeking to investigate the different types of factors to determine the influence of intrinsic and extrinsic rewards (Khan *et al.*, 2013) it was found that both intrinsic and extrinsic rewards were significantly and positively related with employee performance and commitment. In a study to establish the relationship between rewards and employee's motivation in the non-profit organizations of Pakistan (Hafiza *et al.*, 2011) it was found that there was direct relationship between extrinsic rewards and employees' motivation. However, intrinsic reward was found to have an insignificant impact on employee motivation and hence employee commitment.

### Employee Commitment

Commitment has been defined as a psychological state that holds the individual employee to the organization characterizing his or her relationship with the organization as a member (Mukanzi, Gachunga, Ngungi, & Kihoro, 2014; Allen & Meyer, 1993). Consistently, Wekesa, Namusonge and Iravo (2013) also posited that employee commitment is very significant to any organization since it tells all about the desire and willingness of an employee in maintaining his or her membership with the organization. However, commitment was developed as a multidimensional construct of affective, normative and continuance dimensions with different attitudes of employees towards their organizations (Chang, Cheng, Nguyen, Kuo & Lee, 2016; Mercurio, 2015; Jackson, Meyer & Wang, 2013;

Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Meyer & Allen, 1991). Mercurio (2015) described affective commitment as a psychological mindset which increases an employee's prospect to remain with his or her organization. It is an emotional attachment to one's organization (Nazir & Islam, 2017; Meyer, Stanley, & Parfyonavo, 2012). Consequently, affective commitment ensures that a member of the organization would continue to work for the organization on their own volition or because they want to.

In addition, Continuance commitment is the awareness of the costs related to the voluntary turnover by the individual worker (Meyer *et al.*, 2002). This could be the strongest type of employee commitment because the available alternatives to the employee are fewer such that these employees do not feel like they could obtain better alternatives elsewhere (Meyer *et al.*, 2012) and if they did find such, they would then leave the organization. Accordingly, employees tend to stay because of the accumulated investments such as seniority, specialized skills, or getting involved in decision making, which they would lose if they were to leave the organization.

Furthermore, normative commitment can be defined as the individual employee's sense of obligation to stay with the organization because he or she believes that this is the right thing for one to do (Meyer *et al.*, 2012). In addition, the strength of normative commitment tends to be influenced by the rules that are accepted by the membership around the reciprocal obligation that should exist between the employees and their organization (Eshiteti, Mukanzi & Senaji, 2017). Therefore, the philosophy of reciprocal obligation stresses that, because the employee receives a benefit in form of rewards he or she is under a strong obligation to repay the benefit in one way or the other. This creates a powerful sense of normative commitment towards the organization. To interpret the interactions that result in the reciprocal obligation between employees and their employers, this study based its arguments of diversity rewards and employee commitment on the social exchange theory.

According to this theory, employee commitment is determined by the rewards or punishments that the individual employee expect to receive from his or her employer. In addition, the theory presumes that people will always strive to compete for the achievement of organizational objectives if the working environment can be both extrinsic and intrinsically rewarding. Accordingly, employees will exhibit a greater affective commitment to the organization when they perceive that such organization meets their individual needs (Newman & Sheikh, 2012) possibly through improved rewards. For instance, when a survey research to examine the effect of reward management practices on employee commitment in public universities in Nakuru County (Korir & Kipkebut, 2016) was conducted, it found out that financial rewards have a significant effect on employee commitment. Their finding was supported by the results obtained in a study

to determine the effects of reward and compensation strategies on the performance of commercial banks (Ngui *et al.*, 2014) which suggested that both financial and non-financial rewards have a significant influence on organizational performance. However, Ashikali and Groeneveld (2013) opined that employee commitment is a predictor of organizational performance as boosted by the works of diverse groups in the organization. Consequently, highly committed employees can be a source of high performance in the organization.

In addition, in a study to establish the effect of reward management practices in state corporations (Chelengat & Gachuga, 2016) it was recommended that organizations should be more proactive in trying to provide employees with a reward package that would enhance their commitment. The study further noted that rewards that are offered fairly to all employees can play a vital role when it comes to enhancing employee commitment. On the relative importance of different types of rewards on both motivation and employee commitment in south Africa (Nujjo & Meyer, 2012), it was established that both intrinsic and extrinsic rewards had a significant relationship with employee commitment. Nonetheless, the relationship between intrinsic rewards and employee commitment was stronger than that of extrinsic rewards and employee commitment. On the contrary, an empirical analysis on the influence of intrinsic and extrinsic rewards on employee results in the Turkish manufacturing firms (Ozutku, 2012) also found out that although both rewards were applied, intrinsic rewards had a significant influence on employee results than the extrinsic rewards. Haider, Aamir, Hamid and Hashim (2016) further noted that the impact of both financial and non-financial rewards can be very instrumental in enlightening employee morale and enhancing of job satisfaction as well as employee commitment. In another study meant to examine the potential mediating role of employee engagement between rewards and recognition and normative commitment (Ghosh, Rai, Chauhan, Baranwal, & Srivastava, 2016), the findings revealed a direct and significant relationship between diversity rewards and normative commitment.

In a study to investigate the influence of workplace diversity management in a highly male dominated culture (Kim, Lee & Kim, 2015) it was established that HR diversity management practices are positively related to employee commitment, although female workers have a more favourable perception of HR diversity management practices than their male counterparts. Nonetheless, a survey study about wage determination and the gender wage gap in Kenya (Mariara, 2003) established that women earn less than a half as much as their male counterparts which negatively affect employee commitments at workplaces.

### Research Methodology

This research study adopted a descriptive survey research design. The design is the best available to social science

studies which involves itself with the collection of data that is original and which could best describe a large population that may be too tedious for any direct observation (Singh, 2006). The study targeted a population of 36,212 employees from 43 commercial banks in Kenya (CBK, 2016) out of which 384 respondents were drawn by use of stratified and simple random sampling techniques. The data was collected by use of questionnaires between the months of August and October 2016. Further, diversity reward was measured by two sub variables namely, intrinsic and extrinsic rewards with five items for each sub variable whose measurement was anchored on a 5-point likert scale. Therefore, the composite variable of diversity reward was measured using ten question items. The standardized Cronbach alpha coefficient was examined for all items and gave an alpha coefficient of 0.871. In addition, all the questionnaire items were adapted from D'Netto *et al.* (2014) and Chew's (2008) questionnaire items. Similarly, the measurement of employee commitment used the three sub constructs of affective, continuance and normative with a total of 17 questionnaire items. These items were adapted from researches of Mukanzi *et al.* (2014), and Asya (2011) who had also adapted them from (Meyer & Allen, 1997) with a standardized Cronbach alpha value of 0.894. Both descriptive (frequencies and percentages) and inferential statistics of the correlations and regressions were used to analyse the data obtained.

### Results and Discussion

This study sought to determine the extent to which commercial banks in Kenya undertake diversity reward. Diversity reward was divided into intrinsic and extrinsic reward constructs measured on a five point likert scale from 1= strongly disagree to 5= strongly agree. The results obtained were presented in table 1.

**Table 1: Diversity Reward Practices**

Diversity Reward Practices	SD%	D%	N%	A%	SA%
<b>Intrinsic rewards</b>					
Fair salary to all	2.0	10.6	12.6	40.9	33.9
Adequate bonuses to performance	4.7	14.2	6.7	50.4	24.0
Assurance for job security to all	6.3	8.7	16.5	30.7	37.8
Compensation structure on individual differences	3.1	19.3	31.1	28.0	18.5
Better working conditions to all	1.2	6.3	7.9	36.6	48.0
<b>Extrinsic Rewards</b>					
Champions of diversity recognized	3.9	11.0	13.8	29.9	41.4
Opportunities for promotion to all	3.9	8.3	13.4	44.9	29.5
All employees work autonomously	3.1	7.9	9.8	35.0	44.1
Opportunities for advancement to all	2.0	4.0	6.8	46.0	41.2
Recognition for exemplary performance	1.6	6.3	9.9	25.5	56.7

Key; SD=Strongly agree, A= Agree, N= Neither agree nor disagree, A= Agree; SA= Strongly agree

### Intrinsic Rewards

The results obtained from table 1 showed that a majority (74.8 per cent) of respondents had a feeling that the salaries received were fair for the kind of tasks that they do (Agree = 40.9 per cent, Strongly Agree = 33.9 per cent) against 12.6 per cent who believed that the salaries they received were not fair. Similarly, a majority (74.4 per cent) of respondents believed that they received adequate bonuses based on their performance, against 18.9 per cent who were of the view that what they received in terms of bonuses was not sufficient. Similarly, 68.5 per cent of respondents indicated that their organizations provided them with job security against 15.0 per cent who disagreed with the statement. Accordingly, 46.5 per cent per cent of respondents agreed with the statement that their organizations have got compensation structures that were based on individual differences in performance, while 22.4 per cent were of the view that their compensation structures did not take in to consideration the individual differences.

### Extrinsic Rewards

The same results in table 1 suggested that 84.6 per cent of respondents strongly agreed that their organizations offered them better working conditions irrespective of one's background as compared to only 7.5 per cent who were of the contrary opinion. At the same time, 77.4 per cent also agreed that promotion opportunities were provided to all employees without discrimination as compared to a paltry 12.2 per cent who disagreed with the statement. Similarly, the results in table 1, indicated that a majority (79.1 per cent) of respondents were of the view that commercial banks in Kenya had allowed their employees, particularly those who held positions of responsibility, to work autonomously. This was against 11.0 per cent who literally disagreed with this view. In addition, 87.2 per cent of respondents either agreed or strongly agreed that their organizations provide all employees with opportunities for professional advancements against 6.0 per cent who either disagreed or strongly disagreed with the statement.

According to the same results in table 1, most employees (82.5 per cent) either agreed or strongly agreed that they are recognized for exemplary performance at their workplaces against 7.9 per cent who did not agree. This response was in tandem with their response on a declarative statement about whether their organizations recognize champions of diversity. At the same time, 71.3 per cent either strongly agreed or simply agreed with the statement against 14.9 per cent who either disagreed or strongly disagreed with the statement. In all responses, there was consistency in how respondents replied to the likert statements about diversity reward. According to Nujjo and Meyer (2012) diversity reward practices are critical strategies that an organization can use to create a committed workforce. Such rewards are both intrinsic and extrinsic (Aladwan *et al.*

*et al.*, 2015; Nujjo & Meyer, 2012; Chew, 2008). Nazir *et al.* (2016) also posited that both intrinsic and extrinsic rewards are significantly related to both affective and normative commitments. To establish the direction and magnitude of the relationship between diversity rewards and employee commitment, correlation analysis was conducted and the matrix table presented in table 2.

**Table 2:** Correlation of Diversity reward on Employee Commitment

		Correlations		
		Intrinsic Reward	Extrinsic Reward	Diversity Reward
Employee Commitment	Pearson Correlation	.488**	.357**	.456**
	Sig. (2-tailed)	.000	.000	.000
	N	254	254	254

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

The findings from table 2 indicated that intrinsic reward was positively and significantly associated with employee commitment ( $r=0.488^{**}$ ,  $p < 0.001$ ). In addition, results in table 2 also indicated that extrinsic reward variable was positively and significantly related to employee commitment ( $r=0.357^{**}$ ,  $p < 0.001$ ). However, intrinsic rewards were found to have a stronger influence on employee commitment than extrinsic rewards. The findings were supported by Nazir *et al.* (2016) who posited that both intrinsic and extrinsic rewards are significantly related to both affective and normative commitment, although some studies indicated that extrinsic rewards have a superior influence on employee commitment than intrinsic ones. Similarly, Nujjo and Meyer (2012) found out that intrinsic rewards are very powerful predictors of affective commitment while Muhammad and Magbool (2015) suggested that there is a constructive relationship between extrinsic rewards and job satisfaction. In other words, extrinsic rewards tend to increase the feeling of fairness in employees which then enhances their own commitment to the organization (Muhammad & Magbool, 2015). Nonetheless, Nujjo and Meyer (2012) also found out that there is a positive and significant relationship between all types of rewards and employee commitment in organizations. Consistently, Aladwan *et al.* (2015) noted that favourable reward perceptions are positively linked to employee's affective and employee commitment in general.

The results in table 2 also suggested that diversity rewards have a positive and significant influence on employee commitment ( $r=0.456^{**}$ ,  $p < 0.001$ ). Consistently, Meena and Vanka, (2013) said that diversity reward is meant to ensure pay equity and enhanced employee commitment. Accordingly, a good diversity reward system can boost employee commitment in the organization (Danso, 2015; Miao *et al.*, 2013; Meena & Vanka, 2013). In addition, an organization can boost its

employees' commitment by offering organizational rewards (Nazir et al., 2016; Miao et al., 2013). In support of the findings, Ghosh et al. (2016) found out that diversity reward is significantly correlated to the normative commitment. Furthermore, they opined that satisfaction with extrinsic benefits, autonomy, and participation in decision making can have a substantial impact on employee's affective and normative commitment. In a survey research to establish whether a selected number of organizations practice HR diversity management in the Islamic approach, Hashim (2010) found out that the Islamic approach in Human Resource Management such as diversity reward was highly and significantly correlated to organizational commitment. Furthermore, Fenwick et al. (2011) suggested that rewards that are based on performance can help reduce wage disparities and enhance employee commitment. However, some studies also found out that diversity rewards are not significantly related to employee commitment (D'Netto et al., 2014; Robyn & Preez, 2013; Chew, 2003).

**Regression of Diversity Reward on Employee Commitment**

To test the amount of variation of the independent variable (diversity reward) on the predicted variable (employee commitment), and to establish the specific nature of influence, diversity reward (predictor variable) was regressed with employee commitment and the results obtained presented in tables 3 and 4 and interpreted thereof;

**Table 3:** Diversity Rewards on Employee Commitment

Model Summary <sup>b</sup>							
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.489 <sup>a</sup>	.239	.233	.71153	.239	39.354	.000

a. Predictors: (Constant), Extrinsic Rewards, Intrinsic Rewards

b. Dependent Variable: Employee Commitment

The results obtained in the regression model in table 3 indicated R squared of 0.239 and R of 0.489. This showed that diversity reward was positively related to employee commitment and that the coefficient of determination (R<sup>2</sup>) indicated the explanatory power of diversity reward as the predictor variable on employee commitment was 0.239. This showed that 23.9 per cent of the variation in the variable use of employee commitment was explained by the variation in diversity reward. The remaining variation in employee commitment which was not explained by this predictor model was done by other variables not in the model. Similarly, the F statistic in table 3 indicated that diversity rewards predicted employee commitment at 23.9 per cent and with the p

value of less than 0.001, showing that there is less than 1 in 1000 chances that the influence of diversity reward on employee commitment could be described by a flat line (F=39.354; p < 0.001). Therefore, based on these results the regression model can be said to be significant and that diversity reward had a positive and significant influence on employee commitment in the banking sector in Kenya.

The results obtained in table 3 were supported by the study that aimed to examine the effect of both financial and non-financial rewards on organizational commitment among university staff in Nakuru county (Korir & Kipkebut, 2016). According to its findings, financial rewards are significantly related to organizational commitment. However, the study failed to measure the effect of non-financial rewards on employee commitment. In addition, Ngui et al. (2014) concurred in a study that sought to determine the effects of rewards and compensation strategies on firm performance. They found out that both financial and non-financial rewards have a significant relationship with firm performance and by extension, employee performance. Nonetheless, employee performance was also found to have a direct link with employee commitment in many organizations (Chelagat & Gachuga, 2016; Kilimo et al., 2016; Safiullah, 2014; Khan et al., 2013). In other words, the more committed an employee is the better he or she performs on the job, and this ends up enhancing the performance of the organization altogether.

**Table 4:** Coefficients of Diversity Reward Variables

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.476	.242		6.096	.000
1					
Intrinsic Rewards	.485	.080	.477	6.064	.000
Extrinsic Rewards	.217	.079	.217	3.210	.034

a. Dependent Variable: Employee Commitment

In addition, the unstandardized regression coefficients β value of the computed (composite index) scores of intrinsic rewards and extrinsic reward was 0.485 and 0.217 with a t-test of 6.096 and 6.064 respectively at a significance level of p < 0.001. This implied that for every 1 per cent increase in diversity reward there was a predicted increase in the percentage of employee commitment of zero. Having achieved the objective, the study rejected the null hypothesis that; H<sub>01</sub>: Diversity reward has no significant influence on employee commitment in the banking sector in Kenya.

## Summary, Conclusion and Recommendation

The study sought to determine the influence of diversity reward on employee commitment in the banking sector in Kenya. The findings indicated that intrinsic rewards had a positive and significant influence on employee commitment. It was also found that extrinsic reward was positively and significantly related to employee commitments, although intrinsic reward was found to have a stronger influence on the predicted variable than the extrinsic one. This study contributes to the theory of social exchange and equity theory by describing the application of diversity reward concept through both intrinsic and extrinsic constructs on employee commitment. From the findings, it was established that commercial banks provide both intrinsic and extrinsic rewards to manage their diverse workforce. The findings further revealed that these rewards help specific commercial banks to enhance commitment of their diverse workforce. Further conclusions drawn from the study indicated that diversity rewards have a positive and significant influence on employee commitment. Using social exchange theory and equity theory, the structure of employee commitment in the Kenyan banking sector context and its contribution to the knowledge about HR diversity management practices was validated. Therefore, it is the recommendation of this study that all commercial banks should reward employees of all backgrounds within the organization in a fair and equitable manner for increased employee commitment. Furthermore, further research that will focus on the long-term effects of diversity rewards on other Human Resource outcomes such as employee engagement in other sectors in Kenya is required.

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