



ORIGINAL ARTICLE

Significance of Financial and Non-financial Incentives in Shaping Employee Motivation in Tea Industry: A Sri Lankan Case Study

M. G. T. Lakmali*, G. C. Samaraweera and P. V. S. Harshana

*Department of Agricultural
Economics, Faculty of
Agriculture, University of
Ruhuna, Mapalana,
Kamburupitiya, Sri Lanka.*

Correspondence:

*thushlakmali95@gmail.com



<https://orcid.org/0000-0002-2294-338X>

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Abstract

The Sri Lankan tea sector is experiencing a considerable decline in the labor force, as many workers are moving away from tea plantations. Incentives are one of the prime factors in reducing labor turnover. However, the role of incentives in employee motivation in the tea sector is questionable. Therefore, the main aim of this study was to identify the role of financial and non-financial incentives in motivating employees in the tea sector in Sri Lanka. Data were collected using pre-tested structured questionnaires from all tea factory workers (N=60) in Morapitiya Tea Factory, Sri Lanka. In the data analysis, Wilcoxon Sign Rank Test results revealed that bonuses (Z=7.29), over-time payments (Z=7.21), EPF/ETF payments (Z=6.82), job security (Z=7.04), recognition (Z=6.65), positive working environment (Z=6.6) as well as promotion and career growth (Z=6.55) have significant impact ($P < 0.05$ level) on employee motivation in Sri Lankan tea sector. Preference ranking revealed that tea sector employees prefer financial incentives (83%) more than non-financial incentives. Female employees preferred recognition as a motivation tool more than their male counterparts (Mean=3.28; $P = 0.003$). Employees who worked more than 10 years within the factory prefer more non-financial incentives (Mean=1.54; $P = 0.022$) than employees who worked less than 10 years and their preference for career growth (Mean=2.598; $P = 0.000$) was higher than employees who have worked less than 10 years. The findings of the present study signify the orientation of workers towards incentives, which can be used as a basis for enhancing labour productivity in tea sector.

Keywords: *Bonuses, Male and female employees, motivation, Tea plantations*

1. Introduction

Sri Lankan agriculture sector employs the majority of the total population playing a key role in the economy of the country. Apart from that, the agriculture sector in Sri Lanka is responsible for earning foreign exchange, provision of income as well as sustaining food and raw materials supply within the country. The relative contribution from the agriculture sector to the national Gross Domestic Product (GDP) is accounted only for 7%, out of which 4.6%, 0.6%, 1.2% and 0.6% are contributed by the crop, livestock, fisheries, and Forestry subsectors, respectively (Ministry of Agriculture 2019).

Due to the expansion of both the service and industrial sectors, a decline in the employment rate can be observed in agriculture. However, its contribution is still quite significant as it employs almost 23.7% of the total labour force in the country in 2020 (World Bank 2021). Rice and tea sectors contributed to a significant extent to the employment generation (Sri Lanka State of the Economy Report 2015). According to the Central Bank of Sri Lanka (2018), the contribution of the tea sector to the Sri Lankan economy is 1% of GDP. For well over a century, the Sri Lankan economy has been dependent on the tea sector as it has been the leading employer for jobs and the primary source of foreign currency income. Above all, the tea sector was seen as the main source of income for the state. Unfortunately, recent statistics show a gradual decline in the tea sector's contribution to the economy (Thushara 2015). Past literature has documented that the Sri

Lankan tea sector has long been exposed to a temporary crisis, mainly due to low productivity combined with high production costs (Jayasuriya 1998). Generally, the plantation sector is considered a labour-intensive sector that requires a regular supply of labour during the whole year. The need for labour is not only limited to the field operation but also tea production and processing. In recent years, a significant number of workers have emigrated from the tea sector, resulting in a drastic decline. Statistics presented by the Ministry of Plantation Industries depict that the number of registered labourers in the large-scale tea estates was 497,995 in 1988. However, it was further dropped to 207,235 in 2011. This implies a 58% drop in labour during the last two decades (Chandrabose 2015).

Due to the low productivity and frequent turnover in the tea sector, employee motivation is an essential part to be considered. Employee motivation is referred to as the employee's ultimate enthusiasm and urge to perform work-related exercises, and it is the inner effort that prompts a person to decide to move (Susan 2015). The employee motivation concept is mainly studied under the purview of human resource management (Ijaz & Khan 2013). From the human resources management perspective, human capital is the most valuable asset of an organization; therefore, they must be constantly motivated to achieve organizational and personal goals. Lack of motivation influences job satisfaction (Singh & Tiwari 2011).

Incentives can be identified as one of the employee motivational strategies. Incentives are defined as the things that motivate a person to undertake specific actions whether through cooperation or as an individual. Incentives are further categorized into two categories called financial and non-financial. Any incentive which is in the form of cash or wealth is known as a financial or monetary reward. Financial incentives are offered to an employee when an employer spends money on employees' rewards to influence them to have favourable attention towards goals achievement (Ekpudu et al. 2014). Financial incentives include target incentives, commission on sales, bonuses, and overtime payments. An organization can be benefitted from granting financial incentives to employees in many ways including increasing production followed by higher productivity which leads to better revenue (Lucas et al. 2016). Ekpudu et al. (2014) found that financial incentives and rewards positively impact employee attitude at work. Furthermore, that study revealed that financial incentives and rewards positively impact on job satisfaction, employee attitude, and productivity of employee.

Non-financial incentives are referred to as the drivers of human behaviour related to the intrinsic nature of the work. However, these drivers are not always the surrounding circumstances or the working environment (Moruri et al. 2018). Non-financial incentives are also referred as non-monetary incentives. Though money is an essential requirement,

people do not employ only for money. Basically, the aim of providing non-financial incentives is to satisfy employees' social and psychological needs. Non-financial incentives include achievement, advancement, autonomy, personal growth, recognition, responsibility, and the work itself. Providing non-financial incentives to employees is a creation of value for the employees. Non-financial incentives have a significant role when the employees require self-actualization except for social and security needs.

Job satisfaction is an essential part of employee motivation as it influences willingness to work, and the quality of the work done. Employee motivation is certainly done to improve job satisfaction and employee retention. However, employee motivation strategies are in place to ensure that employee sacrifices are adequately recognized and compensated. Due to the decreasing productivity and frequent employee turnover, it is advantageous to use employee motivation strategies to motivate employees in the tea sector in Sri Lanka. Furthermore, since employee motivation is a concept in human resources management, it is combined with agriculture. Fig. 1 depicts the drop in tea crop yields during past years. As a result, the tea industry's contribution to the Sri Lankan economy is gradually declining. One of the main reasons for this is the labour shortage in the tea industry.

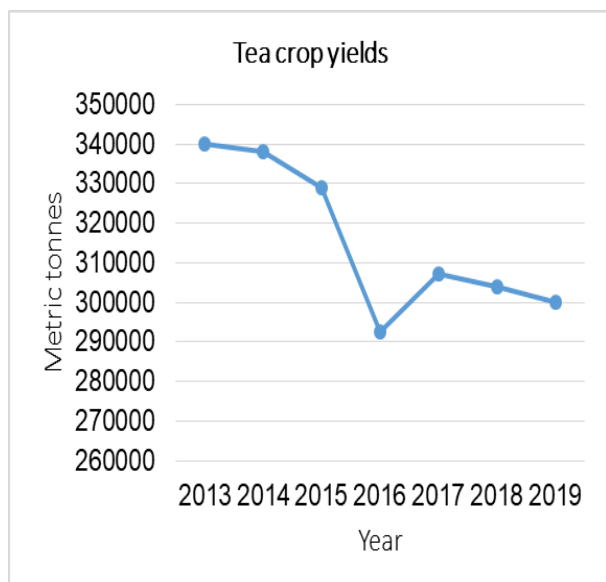


Figure 1: Tea crop yield from 2013-2019
(Source: Forbes & Walker, 2022)

There is a drastic decline in labour in the tea sector mainly due to the considerable numbers of labourers moving out of the sector by searching for employment in the industrial and service sectors (Chandrabose 2015). However, it is crucial to reduce this turnover to regain the tea industry's economic benefits. Identifying significant incentive systems comprised of financial and non-financial incentives perhaps mitigate this problem and motivate employees toward the tea sector. Therefore, this study has attempted to identify the significant financial and non-financial incentives that motivate employees in the tea industry while enhancing their job satisfaction and reducing their turnover. In brief, the present study aims to investigate the impact of financial and non-financial incentives on employee motivation in the tea sector.

2. Materials and Methods

Research Hypotheses Formulation

Weerasinghe (2017) found a positive impact on financial incentives for employee motivation. Furthermore, he was able to show that the financial incentives have been utilized to hold key employees and balance out their employee motivation. The researcher recommended that it is better to introduce an incentive plan for the employees in the organization. Therefore, it would help to enhance the motivation of the employees. Based on past research facts, this study hypothesized that,

H₁: There is a significant impact of financial incentives on the motivation of employees in the tea sector.

Moruri et al. (2018) conducted a case study of Baringo County Referral Hospital in Kenya on the effect of non-financial motivators on employee performance. They identified timely feedback, open communication, training, sponsored seminars/workshops, employee recognition/letters of commendation, and employee recognition/letters of commendation as effective non-financial motivators. Past literature concludes that non-financial motivators are essential for effective service delivery resulting in improved performance (Anjum et al. 2021; Kefay and Kero, 2019).

H₂: There is a significant impact of non-financial incentives on employee motivation in the tea sector.

The conceptual framework (Fig. 2) summarizes the relationship between the dependent and independent variables of the study.

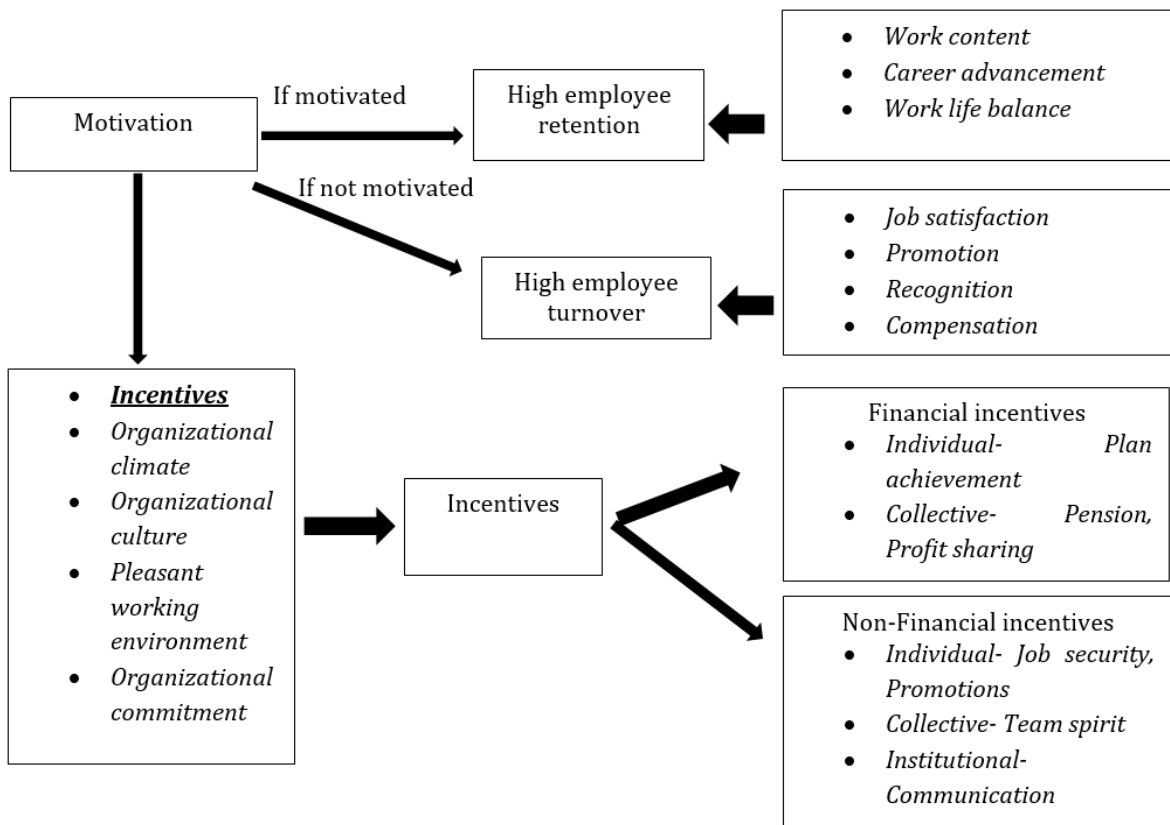


Figure 2: Conceptual Framework

Population and Sample Selection

Manual workers employed in Morapitiya Tea Factory, located in Kaluthara District, were considered as the target population. Sixty employees were selected as the sample and the sample was selected by following a purposive sampling technique. The sample was comprised of manual workers who were involved in tea processing, grading, and packaging. Primary data were collected through pre-tested structured questionnaires and interviews with relevant employees and observations. Secondary data were collected through journal articles, books, and websites that are relevant to this study. Statistical Package for Social Sciences (SPSS) Version 25 (IBM: Chicago, USA) test, and Multivariate Analysis of Variance

(MANOVA) were used as inferential non-parametric statistical methods. measured dependent and independent variables. Descriptive and inferential statistics were used to analyse data. As descriptive statistical tools, pie charts and bar charts were used. Preference ranking, Wilcoxon Sign Rank Using preference ranking, employees' preference for financial and non-financial incentives was ranked. Finally, Wilcoxon sign rank test was used to test the impact on employee motivation.

Multivariate analysis of variance was used to test whether there is a significant difference in dependent variables depending on the independent variables.

3. Results and Discussion

Employee Preference over Financial Incentives

The workers were given criteria to rank financial incentives according to the order of their preference. The criteria comprised the ranking of 1-4 in which 1 accounted for the

highest importance and 4 accounted for the lowest importance and a preference ranking tool was utilized to analyse ranked data by the employees. Employees have ranked bonuses as the most preferred financial incentive that provides them with the highest motivation to exert more effort in their job (Fig. 3).

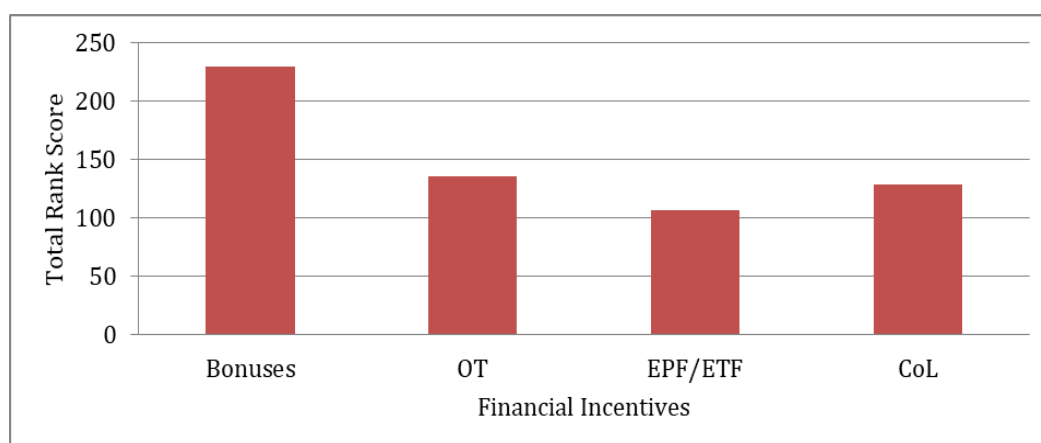


Figure 3: Employee preference over financial incentives

Note: OT= Over-Time Payments, EPF/ETF= Employee Provident Fund/Employee Trust Fund, CoL =Cost of Living Allowance

Employee Preference over Non-financial Incentives

Respondents were given a list of non-financial incentives and they were asked to rank them according to their preference which motivates them towards higher job performance (1-Highest and 10-Lowest motivation). Job security was ranked as the number one motivator and employees were highly motivated if the organization assures their job

security. Positive working environment recognition and positive working environment were ranked as the second and third motivator, respectively, leading employees to perform better in their positions. Allowing them to participate in decision making and receiving respect from others were ranked least important non-financial incentives for employee motivation (Fig. 4).

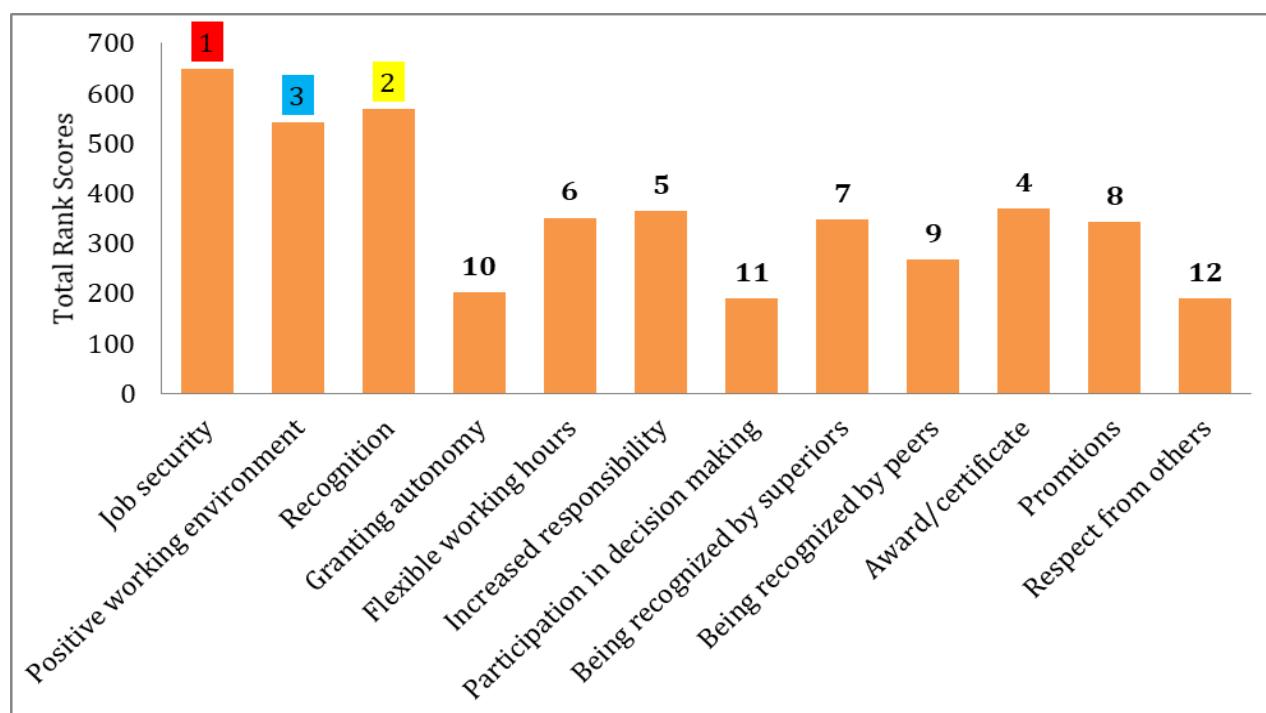


Figure 4: Employee preference over non-financial incentives

Impact of Incentives on Employee Motivation in Morapitiya Tea Factory

The questions were developed on a scale where -2: Not at all effective, -1: Not very effective, 0: Neutral, 1: Effective, and 2: Very effective. The results were tested by using the *P* value of the Wilcoxon sign rank test. In terms of financial incentives, giving bonuses, granting EPF/ETF and receiving over-time payments (OT) were proved to have significant impact on employee motivation of tea sector employees (Table 1).

When considering non-financial incentives, job security, positive working environment, recognition, flexibility in work, allowing to work in a new project or exciting assignment, and promotion and career growth were proved to have significant impact on employee motivation in the tea sector. However, receiving thank you note from superiors as a token of appreciation was not significantly influenced employee motivation (Table 2).

Table 1: Significance of financial incentives for motivation

No	Incentive	Mean	<i>P</i> value
01	Bonuses	7.285	0.000
02	Granting EPF/ETF	6.822	0.000
03	Receiving OT	7.208	0.000

*Significance level = 0.05

Note: EPF/ETF= Employee Provident Fund/Employee Trust Fund, OT= Over-Time Payments

Table 2: Significance of non-financial incentives for worker motivation

No	Incentive	Mean	P value
01	Job security	7.285	0.000
02	Positive working environment	6.822	0.000
03	Recognition	7.208	0.000
04	Flexibility in work	5.982	0.000
05	Receiving thank you note from superior as a token of appreciation	0.408	0.683
06	Giving opportunity to work in a new project or interesting assignment	5.710	0.000
07	Promotion and career growth	6.548	0.000

*Significance level = 0.05

Importance of Incentives to Exert More Effort in Job

Around 55% of the sample was depicted as having a neutral perception of non-financial incentives as a motivator (Fig. 5). According to employees' perspective, non-financial incentives did not have a significant impact to motivate employees. From the sample, 25% of the respondents suggested that non-financial incentives are not very important in terms of motivating employees. Moreover, 20% of the respondents have emphasized that non-financial incentives are highly important in order to exert more effort in their job, mainly the employees who worked for many years within the organization. They seek respect, recognition, and acknowledgment of their years of service by the organization.

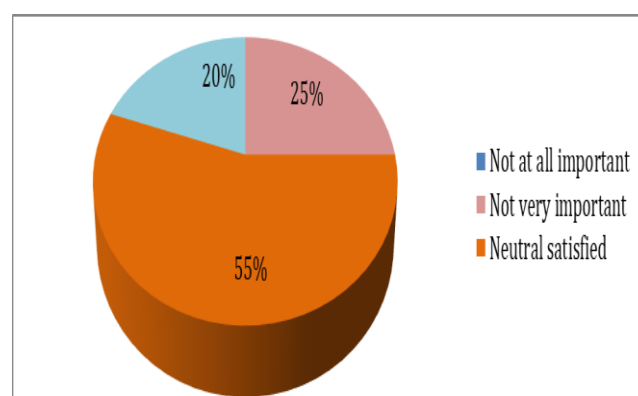


Figure 5: Importance of non-financial incentives to exert more effort in job

When considering the importance of financial incentives, 92% of the respondents have emphasized that financial incentives are significant to motivate them to achieve high-performance levels. In the tea sector, most of the employees are living in remote areas and have an average lifestyle with an unstable financial status. Therefore, employees were pleased if they are awarded financial incentives such as bonuses, cost of living, and over-time payments (Fig. 6).

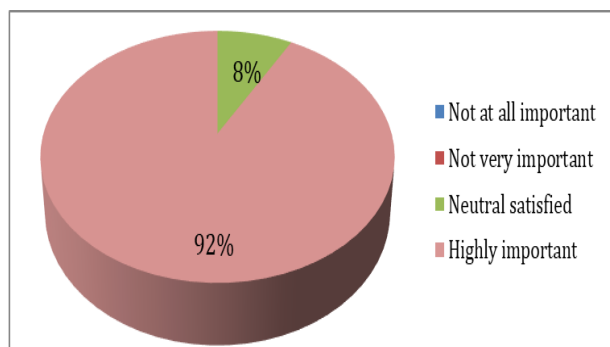


Figure 6: Importance of financial incentives to exert more effort in job

Impact of the gender of employees

The association of incentives and demographic characteristics was studied to test whether there is any significant difference between statements given by employees and their demographic characteristics. Variables were tested by considering the gender of workers as the independent variable and it was tested with dependent variables such as most liked type of incentives, prior knowledge of incentives, preference for recognition as a motivational tool, and preference for over-time payments (Table 3).

Results revealed that there was no significant difference in gender over the most liked type of incentives stated by the employees (Table 3). There was a significant difference in preference for recognition as a motivational tool depending on the gender of employees since female employees have shown more preference for recognition than male employees. However, it was proved that there was no significant difference in gender for preference for overtime payments.

Impact of years of service by employees

When considering years of work by workers as the independent variable, it was tested with the most liked type of incentives, prior knowledge of incentives, preference for recognition as a motivational tool, and preference for promotion and career growth as a motivational tool (Table 4).

According to the study's findings, there was a significant difference in most preferred incentives stated by employees depending on the number of years they have worked in the organization (Table 4). It showed that the employees who have worked more years prefer non-financial incentives. There was no significant difference in prior knowledge on incentives and preference for recognition as a motivational tool depending on years of work. Preference for promotion and career growth as a motivational tool significantly differed depending on years of work because when years of work are increasing, subsequently, the desire for career growth increases.

Table 3: Impact of gender on most liked type of incentives, preference for recognition as a motivational tool and preference for over-time payments

No	Variable	Mean	F Value	P Value
01	Most liked incentive types	0.476	0.841	0.363
02	Recognition	3.281	9.651	0.003
03	Preference for over-time payments	0.11	0.065	0.800

*Significance level = 0.05

Table 4: Impact of worker's years of service on most liked incentive types, prior knowledge on incentives, recognition and promotion and career growth

No	Variable	Mean	F Value	P Value
01	Most liked incentive types	1.543	3.126	0.022
02	Prior knowledge on incentives	0.213	0.897	0.472
03	Recognition	0.320	0.811	0.524
04	Promotion and career growth	2.598	6.559	0.000

*Significance level = 0.05

Prior knowledge on incentives system

Only 25% of employees were aware of the incentive system of the organization. If employees were aware of how they are receiving incentives for a certain period and how they can achieve those incentives by performing better in their job roles, they motivate to obtain the maximum amount of incentives. Subsequently, that leads to higher job performance. Hence, employees at every level of the organization must be given

awareness about the incentive system of the organization.

Feedback on incentives

Only 20% of employees, mainly the section leaders received feedback on incentives, while 80% of the employees did not. The majority of employees did not become aware of how they have performed to obtain incentives within a certain period. It is a drawback, in the case of planning how an employee can work to obtain

the maximum amount of incentives within a specific period (Monthly, quarterly, Yearly).

Most preferred incentives by workers

According to the findings, the highest amount (83%) of the workers stated that they were motivated for better job performance if they are provided with financial incentives. Seventeen percent of employees seek both financial and non-financial incentives for improved motivation. None of the workers stated that they required only non-financial incentives for motivation. These results showed that in order to motivate tea sector employees providing financial incentives as a motivational tool is more feasible. The poor living conditions of tea sector employees demanded more financial incentives than non-financial incentives.

Most preferred financial incentives

When providing financial incentives to motivate employees, the priority should be given to bonuses, overtime payments, cost of living allowance, and EPF/ETF in order of 1st, 2nd, 3rd, and 4th, respectively (Table 5).

Most preferred non-financial incentives

Job security, recognition, and a positive working environment were recognized in order of 1st, 2nd and 3rd when providing non-financial incentives (Table 6).

Table 5: Most preferred financial incentives by employees

Incentive	Total Rank Score
Bonuses	230
OT	136
EPF/ETF	106
COP	128

Table 6: Most preferred non-financial incentives

Non-financial incentives	Total Rank Score
Job security	648
Recognition	568
Positive working environment	542
Award/certificate	370
Increased responsibility	364
Flexible working hours	351
Being recognized by superiors	347
Promotions	342
Being recognized by peers	268
Granting autonomy	201

Participation in decision making	190
Respect from others	189

4. Conclusions

According to the study results, major financial incentives that could be offered to employees are bonuses, overtime payments, and cost of living allowance. The most preferred non-financial incentives are identified as job security, recognition, and a positive working environment. Moreover, results suggested that tea sector employees prefer financial incentives more than non-financial incentives. Financial incentives such as bonuses, overtime payments, granting EPF / ETF, and cost of living allowances have significantly impacted employee motivation. Further, the results suggested that most workers had no prior knowledge of the incentive system, and the majority did not receive timely feedback on their incentive system. Therefore, it is better to give the employees timely feedback and extensive knowledge of the incentive program.

Theoretical implications

The present study contributes to the theory by identifying the most preferred types of incentives by the employees in the tea sector. Primarily, employees prefer financial incentives. Additionally, the study identified that female employees prefer recognition as a motivation tool more than their male counterparts. Moreover, employees who worked for more than 10 years within the organization prefer more non-financial incentives and their preference for career

growth as a motivational tool is higher than employees who have worked less than 10 years.

Managerial implications

The findings of this study will be of great significance for managers to minimize employee turnover in multiple ways. Primarily, they can enhance employee motivation by including the most preferred financial and non-financial incentive combinations in their incentive schemes. For example, the least preferred incentive types could be removed from incentive schemes because there will be no return on the benefit of providing those to workers. Furthermore, employees who had worked more than 10 years should have to be granted more non-financial incentives to satisfy their self-actualization needs. Finally, recognition should be used as a motivational tool for female employees compared to male employees.

Conflicts of interest: The authors have no conflicts of interest regarding this publication.

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