

# Reward System and Employees Commitment in Selected Microfinance Banks in Jimeta, Adamawa State

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**Abstract** - This work examined the impact of job satisfaction on employee's performance of selected Microfinance banks in Jimeta, Adamawa State Metropolis. The specific objectives is to examined the influence of employees immediate supervisors factors on job satisfaction, determine influence of employee personal characteristics factors on employee job satisfaction, examine influence of employee pay package on employee job satisfaction and determine the relationship between job satisfaction and employee job performance. Six selected Microfinance banks will be used for the study. This work will go a long way in addressing employee's job satisfaction and job security; it will also benefit all micro finance banks in retaining their productive staffs. The total population will be 149 out of which 120 employees will be surveyed using simple random sampling technique. Data will be collected through structured questionnaire. The data will be analyzed using SPSS version 20.0. Descriptive statistics-frequency distributions, percentages and Inferential Statistics-Regressions analysis will be used.

**Keywords:** Job; Satisfaction; Microfinance; Employee; Security.

## I. INTRODUCTION

Microfinance banks are financial institution that provides services to the poor, low income earners and those who are engaged in small and medium scale enterprises that lacks other means of gaining financial services from the conventional banks [1]. These banks however are faced with some challenges that serve as hindrances in achieving its corporate objectives. Nigeria as a country is blessed with natural and human resources with a population of over 150 million people who are solely engaged in farming and small scale business. The sector is primarily dominated by micro, small and medium enterprises (MSMES) and peasant farmers who require financial assistance to improve their livelihood. Microfinance companies in Nigerian particularly Adamawa State remain the key players in the labor environment by providing various financial incentives, they provide clients with loans but reverse is the case as most of the client find it difficult to access such credit loan from microfinance

institutions. This situation not only triggers but proliferate the rate of unemployment in the society. This has resulted in persistent deterioration of welfare of people and therefore has little prospect for measurable development in the country [2]. In order to boost employment in Nigeria, the government has focused on the area of Credit Delivery to the Poor and Small and Medium Enterprises (SMEs). Efforts in this respect include developing policies and creating institutions for mobilizing and deploying capital funds to SMEs [3]. However, the impact of this intervention on rural communities is yet to be ascertained. Despite commitment by the successive Nigerian government, majority of the SMEs are unable to access loans from MFIs thus failing to obtain start-up capital for business purposes [3].

## II. LITERATURE REVIEW

### 2.1 Conceptual Framework

Conceptual framework focuses on the set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others. The conceptual framework is the researcher's view of the network of association of the several factors that have been identified as important to the problems. The independent variable was conceptualized as employee job satisfaction. The employee job satisfaction factors used as variables were immediate employees' supervisors, employee's personal characteristics factors and employees pay package factors [3]. In contrast, the dependent variable was employee job performance measured by willingness to perform, higher employee performance, employee commitment and employee output [4].

### 2.2 Herzberg's Two-Factor Theory

Herzberg's theory is said to be the most functional model to study job satisfaction [4]. The two factor theory suggests that there are two factors that could satisfy or dissatisfy workers in carrying out their responsibilities namely job-satisfiers or motivator factors and job dissatisfaction or hygiene factors. Job-satisfier are aspects of the features of a job including skill variety, task identity, task significant and autonomy as factors that affect individual's perception of how important the work is, and eventually affects satisfaction level.

Autonomy represents the level of exercising self-control, the more independent a worker feels, the more responsibilities he or she assumes. Hygiene factors (security, status, supervision etc) were characterized a lower level motivator. Where they have not been satisfied, job dissatisfaction is the result [5].

### 2.3 Vroom’s Expectancy Theory

This theory suggests that the motivations of people to work to realize their dreams depend on assumptions that the objective is worthy, and are certain that what they do will aid them accomplish their goals [6]. Instrumentality on the other hand, is the extent to which first-level outcome will cause (motivational effort) toward superior performance (first-level output desire for second-level outcome. For instance, employees could be motivated) to gain promotion.

### 2.4 Equity Theory

This theory has been extensively studied over decades under the title of distributive justice [7]. This theory proposes that workers consider their input (what they put into a job) in relation to their outcome (what they get from a job) and try to evaluate this ratio with the input-outcome ratio of their colleagues in other organizations. State of equity is said to exist if they realize that their ratio is equivalent to that of their colleagues in other organizations. Similarly, there is inequity if the ratio is not corresponding. Equity brings forth satisfaction among employees while inequity leads to dissatisfaction [7].

### 2.4 Empirical Review

A large number of researchers have proved the importance of job satisfaction of employees in business organizations. Job satisfaction is so important in that its absence often leads to lethargy and reduced organizational commitment [8]. Lack of job satisfaction is a predictor of quitting a job. Sometimes workers move from one profession to another that is considered a greener pasture when there is dwindling economy and its concomitant such as poor conditions of service and late payment of salaries.

## III. MATERIALS AND METHODS

### 3.1 Research Design

Descriptive survey research design will be adopted to collect data to answer the research questions formulated for the study. Descriptive research design will be adopted because the study involved assessing the opinion of the respondents on job satisfaction as it affects their job performance. Surveys are

commonly used methods in positions paradigm research that seeks to explain and predict relationship between constituent parts of a phenomenon in order to achieve systematic observation, interviewing and questioning through predetermined research questions with the intention of providing standardization and consistency [9].

### 3.2 The study area

The study will cover Jimeta Local Government Areas of Adamawa State. The researcher collected primary data directly from the respondents, which included both operators of micro finance institutions and their clients. The study has used questionnaires as source of primary data. The selected Micro finance institutions included Standard Microfinance Bank Limited, Jimeta Community Bank (JCB), Jimeta, Nigerian Agricultural, Cooperatives and Rural Development Bank, (NACRDB) Jimeta and Hududullah Micro credit company (HMCC) Ltd, Jimeta. The study will cover past five years i.e., from the year 2018 to 2022.

**Table 1: Selected microfinance bank in Adamawa State and their populations**

S/N	Microfinance Bank	Population	Sample Size
1	Standard Microfinance Bank Limited	23	20
2	Jimeta Community Bank (JCB), Jimeta	27	20
3	Nigerian Agricultural, Cooperatives and Rural	25	20
4	Hududullah Micro credit company (HMCC) Ltd, Jimeta	20	20
	<b>Total</b>	<b>95</b>	<b>80</b>

### 3.3 Population and Sample Size

The population for the study comprises all the employees in the four (4) Microfinance banks in Jimeta Adamawa State Metropolis selected for the study. The microfinance banks selected for the study are those that have been in operation for long time. The population was 95 as at the time of this investigation. The sample size was 80 and the respondents were randomly selected from the population studied. The sample size was large enough to serve as adequate representation of the population.

### 3.4 Sampling Technique

According [10] sampling technique focuses on the idea in sampling. Analysis of some of the elements in sampling techniques provides useful information on the entire population. The study will use random sampling technique. In

random sampling, members of the population have equal chance of being selected. Thus, the respondents that constituted the sample will be selected on a chance basis.

### 3.5 Research Instrument

Questionnaires were used to generate primary data for the study. Questionnaire was used to generate information on employee job satisfaction and performance. The questionnaire was well thought out to avoid confusing respondents as to the nature of the information required. Close-ended questionnaire was used for respondents to select one of the specific categories provided by the researcher. The questionnaire was divided into five sections. Section A was on Demographic personal information, Section B was on immediate employee’s supervisor factors/job satisfaction. Section C was on employee personal characteristics factors/job satisfaction. Section D was on employee pay package factors/job satisfaction and Section E was on employee job satisfaction factors/job performance. Using a point scale of Strongly Disagree (SD) = 1, Disagree (D) = 2, Agree (A) = 3 and Strongly Agree (SA) = 4 will be used to respond to questions in Sections B, C, D and E of the questionnaire.

### 3.6 Method of Data Analysis

The quantitative data collected were analyzed, presented and interpreted using descriptive statistics. Statistical Package for Social Science (SPSS) version 20 was used to analyze quantitative data into descriptive statistics such as frequencies and percentages. Inferential statistics which is advanced analysis was used to evaluate the linear relationships between two continuous variables independent variables (employee job satisfaction) and dependent variable (employee performance).

## IV. RESULTS AND DISCUSSION

Table 2: Educational Level of the bank staff

Educational Level	Frequency	Percentage (%)
Post Graduate	3	7
Degree	23	46
HND	18	40
WASC	4	8
Others	1	2

Table 3: Banking Experience

Years	Frequency	Percentage
1-5 Years	17	34
6-10 Years	23	46
11-15 Years	7	14
16-20 Years	1	2
Above 20 Years	2	4
<b>Total</b>	<b>50</b>	<b>100</b>

Table 4: Various ratios for each bank

Banks	Current Assets	Operation Ratio	New Capital Rate	Desk Equity
Standard Microfinance Bank Limited	2.30	0.93	1.20	5.00
Jimeta Community Bank (JCB), Jimeta	1.81	0.32	1.57	4.50
Nigerian Agricultural, Cooperatives and Rural	1.99	2.54	0.84	3.00
Hududullah Micro credit company (HMCC) Ltd, Jimeta	0.99	0.56	1.18	3.50

The staff of the selected microfinance bank has the following qualifications; 7% possess postgraduate qualifications, 46% has degree, 40% HND while WASC and others has 8% and 2% respectively (Table 3). In modern banking, higher academic qualification is of great value as it enables the staff to use their own initiative in marketing and decision making. The era of armchair banking is over are now in the computer age. To be more efficient, effective and therefore increase productivity, more training opportunities should be created for the staff at all level. Standard Microfinance Bank Limited has a current ratio of 2.30 as against 2 recommended for the industry. In other words, this bank has a good current ratio. By implication the bank does not have liquidity problem. The bank was able to meet all its current obligations as at and when due, but not so for Jimeta Community Bank (JCB), Jimeta, Nigerian Agricultural, Cooperatives and Rural and Hududullah Micro credit company (HMCC) Ltd, Jimeta which has the current asset as 1.81, 1.99 and 0.99 respectively. The operating ratio of the bank was 90. This is not too good and for the bank to be able to remain in business and for her shareholders to have good return on their investment, it needs to reduce the operating expenses. The implication of this is that in case of liquidation, the bank will be able to pay all its liabilities; however, to be in a very safe position the bank should strive to meet 2. None of the MFB has 2. Debt equity ratio of the bank is 5.00. By this it means for every ₦1 contributed by the shareholder ₦5.00 is borrowed from outside. This is not a good position for the bank. A lower ratio indicates a good leverage. The desk equity ratio revealed that these banks rely heavily on borrowed capital; hence if for any reason the creditors withdraw their funds the banks would be faced with a situation of imminent collapse Credit Delivery compared to other banks which was 4.50, 3.00 and 3.50 for Jimeta Community Bank (JCB), Jimeta, Nigerian Agricultural, Cooperatives and Rural and

Hududullah Micro credit company (HMCC) Ltd respectively. Poor Internal Control Measures. Poor internal control is also a by-product of poor, incompetent and fraudulent management. MFB are in most cases unable to attract good and competent management staff as they could not compete with conventional banks. The training or workshops organized by CBN for MFB staff is grossly inadequate. Apart from the fact that the duration for the courses is short, the interval between one training or course and another is too wide. Some of the staff attended these courses once in five years. The staff strength of CBN is grossly inadequate to cope with the number of staff of MFB under them. None of the fifteen (16) staff, interviewed in the eight banks had attended any workshops, seminars or training organized by any other body in the country. Thus, limiting their exposure to modern banking, there is no opportunity for cross fertilization of ideas. This factor has negative effect on the efficiency of staff. Lack of Patronage Just like the experience of commercial Banks with their rural branches, many of the MFB, especially those located in the rural areas, the financial position of commercial Banks put them at an advantage over MFB [11]. MFB clear their instruments (Cheques, Dividend warrant etc) through commercial banks because they do not have their own clearing house. This therefore put them at the mercy of commercial banks. For example, a customer bring a cheque to MFB has to pay higher COT than one that goes directly to commercial bank. Commercial Banks have many branches, while a branch may not be performing well; others that are viable help to neutralize the loss. MFB is more like a unit bank, if the location does not favour it, little or nothing could be done. Unlike commercial Banks, which have access to CBN or interbank borrowing for short time when in financial problem, MFB does not have such opportunity [12].

## V. CONCLUSION

The commitment of employees in any organization is vital to the survival and wellbeing of such organization, the nature of business notwithstanding. Employee commitment enhances the performance of an organization and determines how competitive the organization will be in the industry. In deposit money banks, commitment of the employees is paramount for the organization to be able to stand the test of time and compete at a high level. Looking at the results obtained from the analysis carried out on the obtained data on the relationship between rewards system and employees' commitment, it clearly shows that for organizations to have committed employees given the fact that the banking industry has one of the highest rates of employee turnover, it is important to have a reward system that will be able to aid retention of employees in deposit money banks in Adamawa State. The more effective the organizations are able to set up their reward system, the more committed the employees will

be in the organization to ensure their survival, performance and competitiveness. It was found that organizational reward policies influence the commitment of the organization. The result of the analysis revealed that; where the reward policy of the organization is favorable to the employees, it will improve their commitment thereby enhance the performance of the organization as a whole. Conclusively, the study has shown that reward systems put in place by an organization influences the level of commitment the organization enjoys from its employees and where the reward systems are not favorable, it will bring about counterproductive behaviors.

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