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Compensation, Reward Systems and Organisational Performance: Emperical Evidence from Commercial Deposit Money Banks in Lagos State, Nigeria

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Abstract: This study examined the influence of compensation and reward systems on the organizational performance of commercial deposit money banks in Lagos, Nigeria. The central aim was to determine how structured compensation and reward practices contribute to improved employee and organizational outcomes. Specifically, the objectives were to: examine the effect of compensation and reward systems on employee productivity; assess the influence of monetary and non-monetary rewards on employee retention; evaluate the contribution of compensation structure to organizational efficiency and service delivery; and determine the relationship between performance-based reward systems and the financial performance of deposit money banks. A total of 300 employees were sampled, and data were collected through structured questionnaires and analyzed using descriptive and inferential statistical tools. The findings revealed that compensation and reward systems have a significant positive effect on employee productivity, with fair remuneration packages enhancing work commitment and reducing turnover intentions. Both monetary rewards, such as salaries and bonuses, and non-monetary incentives, such as recognition and career development opportunities, were found to substantially improve employee retention in the competitive banking sector. Additionally, the study established that transparent and well-designed compensation structures contribute meaningfully to organizational efficiency and quality service delivery. Furthermore, performance-based reward systems showed a strong correlation with financial performance, as they motivated employees to align individual efforts with corporate goals, thereby improving profitability and competitiveness. The study concludes that effective compensation and reward systems are critical drivers of organizational success, particularly in service-oriented industries such as banking, where human capital is a key resource. It recommends that deposit money banks in Lagos should adopt a balanced compensation approach that integrates monetary and non-monetary rewards, regularly review and adjust their compensation structures to remain attractive in the labor market, and ensure that performance-based rewards are directly tied to measurable organizational outcomes. The research contributes to knowledge by providing empirical insights from the Nigerian banking sector, demonstrating that compensation and reward systems are not merely operational tools but strategic levers for employee motivation, retention, organizational efficiency, and financial sustainability.

Keywords: *Compensation, Reward Systems, Organisational Performance.*

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I. INTRODUCTION

Compensation and reward systems are central to contemporary human resource strategy because they shape employee motivation, behaviour, retention, and ultimately organizational outcomes (Armstrong, 2021). In service-intensive industries such as banking, where employee discretion and customer-facing behaviours materially influence service quality, risk control, and revenue generation, the design and implementation of pay and non-pay rewards assume strategic significance (Milkovich et al., 2016). A comprehensive reward architecture—encompassing base pay, performance-contingent incentives, long-term rewards, benefits, recognition, and career development—serves both to attract scarce skills and to align individual actions with organisational objectives (Armstrong, 2021; Milkovich et al., 2016).

The Nigerian banking sector, particularly commercial deposit money banks (CDMBs), has been undergoing rapid structural and technological change in recent years. Regulatory reforms, macroeconomic volatility, accelerated

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digitalisation, and intensified competition from fintech firms have altered the nature of work and the skills required in banks (Central Bank of Nigeria [CBN], 2023; World Bank, 2022). Lagos, as Nigeria's commercial nerve centre, hosts the headquarters of most major CDMBs and a concentration of high-value corporate clients, making it a critical setting for examining how compensation systems influence bank performance in a high-pressure environment. In Lagos, banks not only compete on price and products, but also on the ability to retain digital talent (data analysts, cybersecurity experts, product managers) and to deliver consistent, regulated financial services in the face of rapid change (KPMG Nigeria, 2023).

The theoretical rationale linking compensation to organisational performance is well established. Agency theory suggests that performance-contingent pay can reduce agency costs by aligning managers' and employees' interests with those of owners and depositors (Jensen & Meckling, 1976). Expectancy theory underscores the motivational value of clear links between efforts, performance, and valued rewards (Vroom, 1964), while equity theory highlights the importance of perceived fairness in compensation for maintaining employee morale and discretionary effort (Adams, 1965). Empirical HR and accounting research further demonstrates that carefully structured incentive plans can increase productivity and sales without necessarily increasing fixed payroll costs (Banker, Lee, & Potter, 2000). At the same time, pay scholars warn of potential pitfalls: poorly designed incentive schemes may encourage excessive risk-taking, short-termism, or internal pay inequities that erode collaboration (Gupta & Shaw, 2014).

In the Nigerian banking context, these theoretical tensions are particularly salient. Regulators have emphasized risk-adjusted performance measures and governance reforms in the post-consolidation era, prompting banks to adopt more nuanced compensation frameworks that reward sustainable growth and compliance rather than mere volume-based targets (CBN, 2023). Concurrently, digital disruption has escalated demand for specialist skills that are often under-supplied in the local labour market; banks now face a dual challenge of competing with agile fintech start-ups for talent while ensuring that reward schemes do not create perverse incentives for non-compliance (KPMG Nigeria, 2023; Okoye & Eze, 2022).

Despite the strategic importance of reward design, empirical studies that comprehensively assess how different components of total rewards relate to multi-dimensional performance in Nigerian DMBs—particularly with a Lagos focus—remain limited. Most extant work either treats compensation as a monolithic construct or examines a single element such as bonus pay or executive remuneration in isolation. There is a paucity of Lagos-centred evidence that simultaneously examines monetary and non-monetary reward elements (e.g., career development, recognition programs, work-life benefits) and their relationships with performance indicators relevant to banks—profitability, cost-to-income ratio, non-performing loans, customer satisfaction, and digital adoption metrics (World Bank, 2022; Adeleke&Ojo, 2023).

This gap is important because the optimal design of reward systems in Lagos' DMBs must consider contextual specifics: high staff turnover in digital roles, intense regulatory scrutiny, and shifting customer expectations for seamless, secure digital banking. Misaligned incentives risk outcomes ranging from talent flight to fintechs, to aggressive sales tactics that undermine compliance and customer trust. Conversely, strategically aligned rewards—combining competitive pay, learning opportunities, and performance measures that incorporate risk-adjusted metrics—can strengthen employee commitment, operational efficiency, customer experience, and financial performance (Armstrong, 2021; CBN, 2023).

Against this backdrop, the present study focuses on selected deposit money banks in Lagos to examine how varied compensation and reward elements influence organisational performance. By adopting a multidimensional approach to both rewards and performance, the research seeks to provide empirically grounded recommendations for bank executives and regulators on designing reward systems that foster sustainable, risk-aware performance within Lagos's distinctive institutional and labour market environment.

➢ *Statement of the Problem*

Compensation and reward systems have long been recognised as central drivers of employee behaviour, motivation, and performance. In knowledge- and service-intensive industries such as banking, where employee productivity and compliance directly influence customer trust, risk management, and profitability, the design of effective compensation frameworks becomes particularly critical. However, despite the strategic importance of compensation in banking, evidence from Nigeria suggests that many commercial deposit money banks (CDMBs) continue to grapple with challenges in aligning their reward systems with organisational performance outcomes (KPMG Nigeria, 2023). One major issue is that several banks in Lagos still operate with compensation structures heavily tilted towards fixed pay, while performance-contingent and developmental rewards are either poorly integrated or inconsistently applied (Adeleke & Ojo, 2023). This has created situations where employees perceive little connection between their efforts, organisational goals, and the rewards they receive, thereby reducing the motivational potential of compensation systems. In many cases, reward frameworks are not adequately risk-adjusted, leading to short-term sales targets that may inadvertently encourage non-compliance or unethical practices, threatening both financial stability and reputation (CBN, 2023).

Furthermore, Lagos-based banks face a growing challenge of talent retention in the digital era. With the rise of fintech firms offering competitive pay packages, flexible work arrangements, and attractive equity-based incentives, traditional banks struggle to retain critical digital talent such as software engineers, cybersecurity experts, and data analysts (World Bank, 2022). High turnover rates not only

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increase recruitment and training costs but also disrupt service delivery and innovation. The inability of some banks to adapt their compensation and reward systems to the realities of digital transformation further exacerbates the performance gap. Another problem lies in the imbalance between monetary and non-monetary rewards. While many banks prioritise direct financial compensation, less emphasis is placed on non-monetary aspects such as recognition programs, career development, and work-life balance initiatives, which are increasingly critical for sustaining long-term employee engagement and organisational performance (Armstrong, 2021). This narrow focus often results in a demotivated workforce that may deliver in the short run but remains disengaged in terms of creativity, innovation, and commitment to long-term organisational goals. Empirical research in Nigeria has revealed mixed findings on the relationship between compensation strategies and performance outcomes. Some studies indicate that reward systems positively influence productivity, profitability, and retention (Okoye & Eze, 2022), while others highlight that poorly structured incentives foster unhealthy competition, internal inequities, and turnover (Gupta & Shaw, 2014). The inconsistencies in evidence, combined with the contextual challenges of Lagos' banking sector—including intense competition, regulatory reforms, and rapid digitalisation—make it imperative to critically examine how different components of compensation and reward systems impact organisational performance.

Therefore, the problem this study seeks to address is the persistent misalignment between compensation practices and organisational performance in deposit money banks in Lagos, Nigeria. Specifically, the study is concerned with whether productively designed compensation and reward systems—encompassing both monetary and non-monetary elements—can enhance employee motivation, reduce turnover, ensure compliance, and ultimately improve the financial and operational performance of Lagos-based banks. Without empirical evidence and actionable insights, banks risk continuing with reward systems that fail to deliver sustainable competitive advantage in an increasingly volatile and competitive financial services landscape.

➢ *Research Questions*

The following research questions guided the study;

- What is the effect of compensation and reward systems on employee productivity in selected deposit money banks in Lagos, Nigeria?
- How do monetary and non-monetary rewards influence employee retention in deposit money banks in Lagos?
- To what extent does the compensation structure contribute to organizational efficiency and service delivery in Lagos-based banks?
- What is the relationship between performance-based reward systems and the overall financial performance of deposit money banks in Lagos?

➢ *Objectives of the Study*

The broad objective of the study is to determine the compensation and reward system and organisational performance of selected Deposit Money Banks in Lagos, Nigeria. The specific objectives are:

- Examine the effect of compensation and reward systems on employee productivity in deposit money banks in Lagos.
- Assess the influence of monetary and non-monetary rewards on employee retention in Lagos-based banks.
- Evaluate the contribution of compensation structure to organizational efficiency and service delivery.
- Determine the relationship between performance-based reward systems and the financial performance of deposit money banks in Lagos.

➢ *Research Hypotheses*

- H_1: Compensation and reward systems have a significant effect on employee productivity in selected deposit money banks in Lagos.
- H_{01}: Compensation and reward systems have no significant effect on employee productivity in selected deposit money banks in Lagos.
- H_2: Monetary and non-monetary rewards significantly influence employee retention in Lagos-based banks.
- H_{02}: Monetary and non-monetary rewards do not significantly influence employee retention in Lagos-based banks.
- H_{03}: Compensation structures significantly contribute to organizational efficiency and service delivery.
- H_{03}: Compensation structures do not significantly contribute to organizational efficiency and service delivery
- H_{04}: Performance-based reward systems significant relationship with the financial performance of deposit money banks in Lagos.
- H_{04}: Performance-based reward systems have no significant relationship with the financial performance of deposit money banks in Lagos.

➢ *Significance of the Study*

- Bankers and Employees: The study will help employees understand how compensation and reward systems can improve motivation, job satisfaction, and career growth.
- Managers: Findings will guide managers in designing effective compensation structures that align employee goals with organizational objectives.
- Customers: Improved employee satisfaction is expected to enhance service delivery, customer satisfaction, and loyalty.
- Government and Regulators: The study will provide insights for policy makers, including the Central Bank of Nigeria (CBN), in formulating policies that ensure fairness and stability in the banking sector.
- Stakeholders: Investors and shareholders will benefit from improved organizational performance, profitability, and sustainability.
- Body of Knowledge: Academics and researchers will gain empirical evidence on the link between compensation, reward systems, and organizational performance in the

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Nigerian banking context, contributing to existing literature and debates.

- *Scope of the Study*

- Content Scope: The study focuses on compensation and reward systems and their effect on organizational performance. It examines both monetary (e.g., salaries, bonuses) and non-monetary rewards (e.g., recognition, career development).
- Variable Scope: Independent variable: Compensation and Reward System (monetary and non-monetary rewards, performance-based incentives, compensation structure). Dependent variable: Organizational Performance (employee productivity, retention, efficiency, financial performance).
- Geographical Scope: The study is limited to selected deposit money banks in Lagos State, Nigeria, which serves as Nigeria's financial hub.
- Time Scope: The study covers compensation practices and performance data between 2020–2024, reflecting recent banking industry reforms and post-pandemic realities.
- Unit of Analysis: The primary unit of analysis is individual employees (managers and staff) of selected deposit money banks in Lagos.

- *Justification of the Study*

The Nigerian banking sector is highly competitive and rapidly evolving, with deposit money banks serving as the backbone of financial intermediation and economic stability. Lagos, being Nigeria's commercial hub, hosts the headquarters and operational centers of many of these banks, making it a strategic location for examining organisational dynamics. One of the most critical factors influencing employee motivation, productivity, and retention in this sector is the compensation and reward system.

Despite its importance, many banks in Lagos face persistent challenges in aligning compensation structures with organisational performance. While some banks emphasize fixed salaries, others rely heavily on performance-linked pay, yet the extent to which these systems contribute to long-term organisational efficiency, employee satisfaction, and profitability remains inconclusive. Moreover, the entry of fintech firms offering innovative reward models has intensified the need for banks to rethink their compensation strategies.

- *This Study is Justified on Several Grounds:*

- ✓ Practical relevance: It provides managers and policymakers with insights on how well-designed compensation frameworks can enhance employee productivity, retention, and organisational competitiveness.
- ✓ Theoretical relevance: It contributes to the literature by applying motivation and performance theories (Herzberg's Two-Factor Theory, Resource-Based View) in the context of Nigerian deposit money banks.
- ✓ Policy relevance: Findings will guide regulatory bodies such as the Central Bank of Nigeria (CBN) in formulating policies that ensure fair, performance-driven compensation practices that reduce employee turnover and strengthen sectoral stability.
- ✓ Knowledge relevance: It enriches the academic discourse on compensation systems in developing economies, particularly in Africa, where contextual realities differ from Western economies.

Thus, this study is necessary to bridge the gap between compensation practices and measurable organisational performance outcomes in Lagos-based deposit money banks.

- *Definition of Key Terms*

- ✓ Compensation and Reward System:In this study, it is a structured approach through which organisations provide financial and non-financial benefits to employees in exchange for their work performance, skills, and loyalty.
- ✓ Organisational Performance: This in this study is the ability of an organisation to achieve its goals in areas such as employee productivity, operational efficiency, customer satisfaction, market share, and profitability.
- ✓ Deposit Money Banks: This is as used by CBN (2023) where it is seen as the licensed financial institutions that accept deposits from the public, provide loans, and offer payment and financial services, as regulated by the Central Bank of Nigeria
- ✓ Monetary Rewards: Financial benefits such as salaries, wages, allowances, bonuses, profit-sharing, and other direct cash-based incentives provided to employees.
- ✓ Non-Monetary Rewards: Non-financial benefits such as recognition, training opportunities, flexible work arrangements, career development, and job enrichment that enhance employee motivation and satisfaction.
- ✓ Compensation Structure: This in this study is framework within which pay levels, benefits, and incentives are designed, communicated, and administered to ensure internal equity, external competitiveness, and fairness.
- ✓ Performance-Based Reward Systems: In this study, these are compensation models in this study is that which directly link employee rewards to individual or team performance metrics, including sales targets, key performance indicators (KPIs), or organisational outcomes

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter is organised into two major sections. The first presents the literature review, which synthesises conceptual issues, empirical findings, and scholarly debates on compensation and reward systems, their components, and their impact on organisational performance. The second outlines the theoretical framework, highlighting the motivation and performance theories that underpin the study. For a study on *Compensation, Reward System and Organisational Performance of Selected Deposit Money Banks in Lagos, Nigeria,* the review of literature is essential in understanding how compensation practices influence

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organisational outcomes. By integrating both theoretical perspectives and empirical evidence, this chapter establishes the foundation for the research hypotheses and guides the methodological approach adopted in this study.

➢ *Conceptual Review*

- *Compensation and Reward System*

The concept of compensation and reward system has been extensively studied in management and organizational literature because of its critical role in shaping employee behavior, satisfaction, and organizational outcomes. Compensation generally refers to the total financial and non-financial returns that employees receive as part of their employment relationship. It includes direct monetary payments such as salaries, wages, bonuses, and allowances, as well as indirect benefits such as retirement packages, medical insurance, housing allowances, and other welfare schemes (Armstrong & Taylor, 2020). Compensation thus reflects the contractual and economic dimension of the employer–employee relationship. By contrast, rewards extend beyond monetary or contractual compensation and encompass broader incentives designed to motivate and sustain employee engagement. Rewards include both extrinsic factors, such as financial incentives and tangible benefits, and intrinsic factors, such as recognition, opportunities for learning, career advancement, autonomy, and job satisfaction (Milkovich et al., 2019). Hence, the reward concept is multidimensional, addressing both material and psychological aspects of work motivation.

The compensation and reward system is therefore conceptualized as the structured and integrated set of policies, practices, and processes used by organizations to provide monetary and non-monetary benefits to employees in a way that aligns their interests with organizational goals. According to Armstrong (2021), an effective system not only ensures that employees are fairly compensated for their contributions but also enhances their motivation and commitment by recognizing their diverse needs. This makes compensation and reward systems both a motivational tool, fostering higher productivity, and a strategic tool, positioning the organization competitively in the labor market. Theoretically, compensation and reward systems are anchored in several motivational frameworks. Equity Theory emphasizes that employees evaluate their rewards by comparing them with those of peers, and perceptions of unfairness may result in dissatisfaction or turnover (Adams, 1965; Amah & Ahiauzu, 2022). Similarly, Expectancy Theory suggests that employees are motivated when they perceive a clear link between effort, performance, and rewards (Vroom, 1964). Contemporary perspectives such as the Resource-Based View (RBV) also recognize compensation systems as strategic assets that are valuable, rare, and difficult to imitate, thereby contributing to sustainable organizational performance (Barney, 1991; Omoregie & Chinedu, 2021).

In the Nigerian context, particularly within the banking sector, compensation and reward systems play an even more significant role due to high competition, digital transformation, and employee mobility. Many deposit money banks are under pressure to retain top talent in the face of growing competition from fintech firms that offer innovative pay packages, flexible work arrangements, and equity-based incentives (World Bank, 2022). Therefore, the conceptualization of compensation and reward systems in this environment extends beyond basic salary structures, emphasizing holistic frameworks that integrate monetary compensation, performance-based incentives, and non-monetary recognition to foster organizational commitment, innovation, and long-term sustainability (Adeleke & Ojo, 2023). Hence, compensation and reward systems represent the totality of an organization’s approach to rewarding employees for their contributions. A well-structured system balances monetary and non-monetary elements, ensures fairness, aligns with strategic objectives, and addresses both extrinsic and intrinsic employee needs. When effectively designed, such systems enhance employee satisfaction, productivity, and loyalty, thereby driving overall organizational performance.

- *Monetary and Non-Monetary Rewards*

Rewards are a critical element of human resource management, as they serve as mechanisms for motivating employees, enhancing job satisfaction, and improving organizational performance. In organizational contexts, rewards are broadly classified into monetary (financial) rewards and non-monetary (non-financial) rewards, both of which play distinct but complementary roles in influencing employee behavior and organizational outcomes (Armstrong & Taylor, 2020).Monetary rewards refer to financial compensation provided to employees in exchange for their labor, skills, and contributions. These include direct payments such as salaries, wages, bonuses, profit-sharing, commissions, and allowances, as well as indirect financial benefits like pensions, medical insurance, and paid leave (Milkovich et al., 2019). Monetary rewards are tangible, quantifiable, and directly linked to employees’ purchasing power, making them a strong driver of extrinsic motivation (Sharma & Taneja, 2021). In Nigerian organizations, especially the banking sector, monetary rewards remain a primary motivator due to the high economic pressures and rising cost of living, as they directly influence employees’ financial security and standard of living (Adeleke & Ojo, 2023).

On the other hand, non-monetary rewards are non-financial incentives provided to employees to recognize their contributions and enhance job satisfaction. These include recognition, career development opportunities, flexible work arrangements, training and development programs, job security, autonomy, and a supportive organizational culture (Saeed et al., 2022). Unlike monetary rewards, non-monetary rewards focus on intrinsic motivation, addressing employees’ psychological and emotional needs, such as self-fulfillment, belonging, and esteem (Deci & Ryan, 2017). Non-monetary rewards are particularly significant in fostering long-term commitment, employee engagement, and organizational loyalty.

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Conceptually, both forms of rewards are interdependent. Monetary rewards are often effective in attracting and retaining talent in competitive industries, while non-monetary rewards enhance intrinsic motivation and sustain long-term employee engagement (Malik et al., 2021). A balanced combination of the two is crucial, as overreliance on financial incentives may lead to short-term motivation but fail to address deeper psychological drivers of performance. Conversely, neglecting monetary rewards in contexts where economic needs are pressing—such as Nigeria—may lead to employee dissatisfaction and turnover despite non-financial recognition (Olaleye & Alabi, 2023). Hence, monetary rewards represent financial compensation that satisfies employees' extrinsic needs, while non-monetary rewards encompass recognition, development, and supportive practices that address intrinsic motivations. Together, they form a comprehensive reward system that enhances job satisfaction, fosters motivation, and ultimately improves organizational performance.

- *Compensation Structure*

Compensation structure refers to the systematic framework through which an organization designs, organizes, and administers its employee pay and reward system. It provides the arrangement of pay grades, salary ranges, allowances, and benefits that determine how employees are rewarded for their skills, responsibilities, and performance levels (Milkovich et al., 2019). A compensation structure is more than a pay schedule; it reflects an organization's strategic priorities, internal equity, and market competitiveness in attracting, motivating, and retaining talent (Armstrong & Taylor, 2020).A well-designed compensation structure typically balances internal equity (ensuring fairness among employees within the organization) and external competitiveness (aligning with industry standards and labor market conditions). It includes fixed elements such as base pay and allowances, as well as variable components like performance bonuses, incentives, and benefits (Shields et al., 2020). This framework is often developed through job evaluation methods, salary surveys, and performance appraisal systems that ensure consistency and fairness in pay decisions (World at Work, 2020).

From a strategic perspective, compensation structure directly influences employee motivation and organizational performance. A transparent and equitable pay structure enhances employee satisfaction, reduces turnover, and fosters a high-performance culture (Kuvaas et al., 2022). Conversely, a poorly designed structure may lead to perceptions of inequity, demotivation, and conflict, undermining productivity (Colquitt et al., 2021).In the Nigerian banking sector, compensation structures are particularly significant due to the industry's high competition for skilled professionals. Banks often combine fixed salaries with performance-based incentives, housing and transport allowances, health benefits, and pension schemes to attract and retain talent in a volatile labor market (Adeleke & Ojo, 2023). This hybrid approach reflects the need to balance short-term motivation with long-term employee loyalty and institutional sustainability.Thus, compensation structure can be conceptualized as the organized framework of monetary and non-monetary rewards that ensures fair, competitive, and performance-driven employee remuneration. By aligning compensation practices with organizational goals and employee expectations, it serves as a strategic lever for driving organizational effectiveness and long-term success.

- *Performance-Based Reward Systems*

Performance-based reward systems refer to compensation practices that directly link employee rewards—whether monetary or non-monetary—to individual, group, or organizational performance outcomes. Unlike traditional pay systems, where compensation is primarily determined by job role or seniority, performance-based systems emphasize results-driven remuneration. The core principle is that employees who achieve higher levels of performance should receive greater rewards, thereby reinforcing a culture of accountability, motivation, and productivity (Armstrong & Taylor, 2020).These systems typically include mechanisms such as merit pay, performance bonuses, sales commissions, profit-sharing schemes, gainsharing, and performance-linked promotions. In addition to financial rewards, organizations may integrate non-financial incentives such as recognition awards, additional training opportunities, flexible work arrangements, or career development pathways to further encourage high performance (Shields et al., 2020).

Conceptually, performance-based reward systems are grounded in motivation theories such as Vroom's Expectancy Theory and Adams' Equity Theory. Expectancy Theory suggests that employees are motivated when they perceive that their effort will lead to performance and, subsequently, to valued rewards (Vroom, 1964/2020). Equity Theory emphasizes fairness, arguing that employees compare their input–output ratios with those of others, and performance-linked rewards are perceived as fairer than fixed pay (Colquitt et al., 2021).

Recent studies highlight that well-designed performance-based reward systems can significantly improve organizational performance by enhancing productivity, retention, and employee engagement (Memon et al., 2021; Olaleye & Alabi, 2023). In the Nigerian banking sector, for instance, performance-based bonuses and recognition programs have been shown to motivate employees to meet sales targets and service delivery standards, which ultimately boost profitability and customer satisfaction (Adeleke & Ojo, 2023). However, poorly structured systems may create perceptions of bias, foster unhealthy competition, or focus excessively on short-term results at the expense of long-term organizational goals (DeCenzo et al., 2020).Thus, performance-based reward systems can be conceptualized as strategic compensation frameworks that align employee motivation and effort with organizational objectives, ensuring that rewards are earned based on measurable performance outcomes. By linking pay and recognition to achievement, these systems encourage continuous improvement and reinforce a high-performance organizational culture.

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- *Organisational Performance*

Organisational performance is a central concept in management studies, serving as a key indicator of how effectively and efficiently an organization achieves its goals. At its core, organisational performance reflects the extent to which an organization utilizes its resources to achieve desired outcomes, including profitability, growth, innovation, customer satisfaction, and employee well-being (Venkatraman & Ramanujam, 1986; Richard et al., 2009). It is a multidimensional construct that captures both financial and non-financial indicators of success. From a traditional perspective, organisational performance has often been measured in financial terms such as return on investment (ROI), profitability, sales growth, and market share (Neely et al., 2002). While financial metrics remain critical, contemporary scholars argue that performance must also encompass non-financial dimensions, including employee productivity, customer satisfaction, innovation, corporate reputation, and social responsibility (Kaplan & Norton, 1996; Aguinis, 2019). This broader perspective highlights performance as a balanced outcome of economic, social, and operational factors.

Conceptually, organisational performance is shaped by both internal resources and external environmental conditions. The Resource-Based View (RBV) posits that performance is enhanced when organizations leverage unique and valuable resources—such as skilled employees, strong culture, and innovative capabilities—that are difficult for competitors to imitate (Barney, 1991; Teece, 2018). Similarly, Contingency Theory emphasizes that performance outcomes depend on the degree of alignment between organizational strategies and environmental conditions (Donaldson, 2001). Thus, performance is not only a reflection of outcomes but also of the strategies and systems that enable organizations to adapt to changing contexts. In the Nigerian business environment, particularly within the banking sector, organisational performance is increasingly understood as a combination of financial stability, operational efficiency, service quality, and customer trust. Banks operate in a highly competitive and dynamic environment shaped by regulatory policies, digital transformation, and customer expectations. Consequently, performance indicators extend beyond profitability to include digital service adoption, risk management, corporate governance, and employee engagement (Okoye & Ezejiofor, 2021; Olaleye & Alabi, 2023). This reflects a shift towards sustainable performance measures that balance profitability with long-term resilience.

Moreover, scholars highlight the human capital dimension of organisational performance. Employees' motivation, satisfaction, and commitment directly affect productivity, innovation, and customer service, which in turn influence broader organizational outcomes (Adeleke & Ojo, 2023). As such, effective management practices, including compensation and reward systems, are critical drivers of performance in competitive industries such as banking. Hence, organisational performance can be conceptually defined as the holistic assessment of an organization's effectiveness in achieving strategic objectives, meeting stakeholder expectations, and sustaining competitive advantage. It is a multidimensional construct that incorporates financial results, operational efficiency, innovation, employee engagement, and societal impact. This broad view allows organizations to measure not just short-term success but also long-term sustainability and relevance.

- *Deposit Money Banks in Nigeria*

Deposit Money Banks (DMBs), commonly referred to as commercial banks, are financial institutions licensed to accept deposits from the public, provide loans and credit facilities, and offer a wide range of financial services that facilitate economic transactions. According to the Central Bank of Nigeria (CBN, 2022), DMBs are integral components of the formal financial system, acting as intermediaries between surplus and deficit units by mobilizing funds from savers and channeling them into productive investments.Conceptually, DMBs are distinguished by their ability to accept demand deposits, which can be withdrawn at short notice, thereby providing liquidity and convenience to individuals, businesses, and governments (Ajayi&Olayiwola, 2021). Beyond their traditional role of savings and lending, these banks also provide ancillary services such as funds transfer, trade financing, foreign exchange operations, investment advisory, and digital banking solutions (Sanusi, 2020).

The operations of DMBs are critical to economic stability and growth. They contribute to monetary policy transmission, credit creation, and financial inclusion by providing access to credit for households and firms (Ibeabuchi& Okafor, 2022). In Nigeria, DMBs remain the dominant players in the financial sector, accounting for a significant share of total assets, deposits, and credit within the economy. Their performance has direct implications for macroeconomic indicators such as employment, inflation, and gross domestic product (GDP) growth (Ekezie, 2021).In the context of organizational performance studies, DMBs are particularly relevant because they operate in a highly competitive, regulated, and dynamic environment. Their success depends not only on financial capital and regulatory compliance but also on human resource practices such as compensation and reward systems, which determine their ability to attract, retain, and motivate skilled employees (Adeleke&Ojo, 2023). Thus, Deposit Money Banks can be conceptualized as financial intermediaries whose core mandate is to mobilize deposits, provide credit, and deliver financial services while maintaining liquidity, profitability, and public trust.

- *Compensation and Reward System and Organisatioanal Performance*

Compensation and reward systems are central to the functioning and sustainability of modern organizations. They serve not only as mechanisms for remunerating employees but also as strategic tools for aligning employee efforts with organizational goals. The link between compensation systems and organizational performance has been widely studied in human resource management, with evidence consistently showing that well-structured reward systems significantly enhance productivity, employee satisfaction, retention, and overall competitiveness (Armstrong & Taylor,

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2020; Memon et al., 2021).A compensation and reward system generally encompasses both monetary rewards (such as salaries, wages, bonuses, and profit-sharing) and non-monetary rewards (including recognition, career development opportunities, and work–life balance initiatives). These systems are designed to address both the extrinsic and intrinsic motivational needs of employees. When employees perceive compensation as fair, equitable, and linked to their contributions, their job satisfaction and commitment increase, which in turn improves organizational performance indicators such as efficiency, profitability, and service delivery (Colquitt et al., 2021; Kuvaas et al., 2022).

From a theoretical perspective, compensation and reward systems are underpinned by motivational frameworks such as Herzberg's Two-Factor Theory, Vroom's Expectancy Theory, and Adams' Equity Theory. These theories argue that employee motivation is driven by perceived fairness, expected outcomes, and recognition of performance. For example, Expectancy Theory posits that employees are motivated when they believe their effort will lead to good performance and, ultimately, to desirable rewards (Vroom, 1964/2020). This suggests that performance-based reward systems are particularly effective in fostering higher productivity and organizational growth.Empirical studies support the assertion that compensation and reward systems influence organizational performance across different contexts. For instance, Malik et al. (2021) found that both financial and non-financial rewards significantly boost employee engagement, which is positively correlated with productivity. In the Nigerian context, Adeleke and Ojo (2023) observed that competitive compensation packages in deposit money banks contributed to employee retention, reduced turnover intentions, and improved service quality. Similarly, Olaleye and Alabi (2023) reported that organizations that combine monetary incentives with recognition programs are more likely to achieve sustainable performance outcomes, especially in volatile business environments.

However, the influence of compensation and reward systems is not always positive. Poorly designed reward systems—such as those that fail to reflect employee contributions or market standards—can lead to perceptions of inequity, demotivation, and reduced performance (Shields et al., 2020). Furthermore, an overemphasis on monetary incentives may foster short-term behaviors or unhealthy competition, undermining teamwork and long-term organizational objectives (DeCenzo et al., 2020). Hence, compensation and reward systems exert a profound influence on organizational performance by motivating employees, shaping work behavior, and enhancing organizational outcomes. A well-structured and balanced system—one that integrates monetary, non-monetary, and performance-based elements—enables organizations to attract, retain, and motivate skilled employees, ultimately driving financial success, operational efficiency, and long-term competitiveness. In Nigeria's deposit money banking sector, where competition for skilled professionals is high, strategic compensation and reward practices remain critical to sustaining organizational performance.

- *Monetary and Non-Monetary Rewards and Organisatioanal Performance*

The role of rewards in shaping employee behavior and driving organizational outcomes has long been recognized in management and human resource literature. Rewards are broadly classified into monetary rewards, which include direct financial compensation such as salaries, bonuses, commissions, and profit-sharing, and non-monetary rewards, which include recognition, career development opportunities, flexible work arrangements, and supportive workplace culture. Both forms of rewards are essential in fostering employee motivation, satisfaction, and commitment, which ultimately translate into improved organizational performance (Armstrong & Taylor, 2020; Shields et al., 2020).Monetary rewards remain a critical motivator for employees, especially in contexts where financial security and material well-being are paramount. Competitive pay and financial incentives directly influence employee retention, productivity, and performance by ensuring that employees perceive their efforts as fairly compensated (Memon et al., 2021). For instance, in high-pressure sectors such as banking and manufacturing, performance-based bonuses and profit-sharing schemes incentivize employees to achieve organizational goals and sustain profitability (Olaleye & Alabi, 2023). Monetary rewards also play a significant role in reducing turnover intentions, as employees are less likely to leave organizations that adequately reward their contributions (Kuvaas et al., 2022).

However, studies increasingly highlight that monetary rewards alone may not guarantee long-term organizational performance. Overemphasis on financial incentives can foster short-term behavior, excessive competition, and even unethical practices if not carefully managed (Colquitt et al., 2021). Consequently, organizations are turning to non-monetary rewards to complement financial incentives and create a holistic reward system. Non-monetary rewards—such as recognition, employee involvement in decision-making, mentorship, professional growth opportunities, and supportive workplace culture—are strongly linked with intrinsic motivation, job satisfaction, and employee engagement (Malik et al., 2021).Non-monetary rewards are particularly effective in fostering long-term commitment and discretionary behavior, often referred to as organizational citizenship behavior, which enhances teamwork, innovation, and overall organizational effectiveness (Kuvaas et al., 2022). For example, Adeleke and Ojo (2023) observed that Nigerian deposit money banks that incorporated employee recognition programs and career development opportunities alongside financial compensation reported higher customer satisfaction and service delivery outcomes. Similarly, research by Khan and Rajput (2022) demonstrated that employees value recognition and opportunities for professional development as highly as financial compensation, particularly in knowledge-intensive industries.

The integration of monetary and non-monetary rewards creates a balanced reward system that maximizes organizational performance. While monetary incentives ensure financial security and drive short-term goals, non-monetary rewards nurture intrinsic motivation and long-term

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employee loyalty. Organizations that effectively balance both types of rewards experience lower turnover, greater employee engagement, and higher performance outcomes across financial, operational, and customer satisfaction metrics (Shields et al., 2020; Armstrong & Taylor, 2020).Hence, both monetary and non-monetary rewards exert a significant influence on organizational performance, though their effects differ in scope and longevity. Monetary rewards are essential for attracting and retaining talent and boosting immediate performance, while non-monetary rewards are critical for sustaining motivation, innovation, and organizational citizenship behavior. A well-designed reward system that integrates both dimensions can lead to sustainable competitive advantage and superior organizational performance, especially in competitive environments like Nigeria's banking sector.

- *Compensation Structure and Organisational Performance*

Compensation structure—the organised schema of pay grades, salary ranges, fixed and variable pay, allowances, benefits, and career progression rules—constitutes a central element of human resource strategy and exerts a multifaceted influence on organisational performance. Far from being a mere payroll schedule, compensation structure signals what an organisation values (e.g., fairness, merit, innovation), shapes expectations, and channels employee behaviour through financial and non-financial incentives (Milkovich, Newman, & Gerhart, 2019; Armstrong & Taylor, 2020).Mechanisms through which compensation structure affects performance are several and interrelated. First, motivation and effort allocation: when pay structures clearly link performance to reward—via merit bands, bonuses or gainsharing—employees perceive a stronger expectancy that effort will lead to valued outcomes, increasing discretionary effort and productivity (Vroom, 1964/2020; Memon, Soomro, & Kumar, 2021). Second, talent attraction and retention: competitive and transparent pay ranges reduce turnover, preserve organisational knowledge, and lower recruitment/training costs; stable workforces in turn support operational continuity and service quality (Adeleke & Ojo, 2023; Kuvaas, Buch, & Dysvik, 2022). Third, behavioural alignment and governance: structures that embed risk-adjusted metrics, deferred compensation, and balanced scorecards align individual incentives with long-term organisational goals and regulatory expectations, thereby reducing short-termism and excessive risk-taking (Shields et al., 2020; Central Bank of Nigeria [CBN], 2023). Fourth, internal equity and cooperation: perceived fairness arising from well-defined pay bands and transparent progression fosters teamwork and reduces counterproductive rivalry that can undermine complex service delivery (Colquitt, LePine, & Wesson, 2021).

Empirical research supports these theoretical pathways. Field and archival studies show that pay systems combining fixed and variable components can raise individual and team productivity without proportionally increasing fixed labour costs (Banker, Lee, & Potter, 2000). More recent HR systems research indicates that *how* pay is structured matters: moderate pay dispersion tied to explicit performance differentiation motivates high achievers, whereas extreme dispersion or opaque discretionary rewards damage morale and cooperation (Gupta & Shaw, 2014; Kuvaas et al., 2022). In emerging-market contexts, evidence suggests that performance-linked pay has positive effects on outcomes when accompanied by clear governance and robust performance measurement systems (Memon et al., 2021).In the Nigerian banking sector, compensation-structure design is particularly consequential. Banks in Lagos and other financial hubs compete intensely for scarce digital and risk management skills (e.g., data scientists, cybersecurity specialists). Those that offer market-aligned base pay together with structured variable rewards, deferred bonuses tied to risk-adjusted KPIs, and meaningful non-monetary development opportunities are better placed to retain talent and sustain service quality (Adeleke & Ojo, 2023; World Bank, 2022). The Central Bank of Nigeria's recent emphasis on governance and risk management has also pushed banks to adopt compensation structures that discourage reckless short-term revenue chasing—by incorporating clawbacks, deferrals, and compliance metrics into pay plans (CBN, 2023). Industry surveys conducted by professional firms (e.g., KPMG) find that banks adopting hybrid compensation models report improved customer experience scores and lower staff attrition in key technical roles (KPMG Nigeria, 2023).

However, compensation structures can also have adverse effects when poorly designed or contextually inappropriate. Overreliance on short-term incentive pay can encourage manipulation of targets, neglect of non-measured but critical tasks (e.g., compliance), and unethical behaviour if checks and balances are weak (DeCenzo, Robbins, &Verhulst, 2020). Opaque or perceived-unfair pay bands contribute to disengagement and increase voluntary turnover (Adams, 1965; Colquitt et al., 2021). Moreover, resource constraints force many organisations in developing economies to strike a delicate balance between external competitiveness and internal sustainability; unsustainably generous pay structures can become long-term liabilities.Several contingency factors moderate the compensation-structure → performance relationship. These include organisational culture, quality of performance measurement systems, managerial capability to apply pay rules fairly, labour market tightness for required skills, and legal/regulatory constraints (Milkovich et al., 2019; Shields et al., 2020). For example, in banks where performance measures are ambiguous or susceptible to gaming, variable pay tied to those measures may fail to improve—or may even harm—performance outcomes. Conversely, when pay structures are transparent, well-communicated, and combined with development opportunities, they tend to deliver stronger, more sustainable performance gains (Kuvaas et al., 2022).

Practical implications for managers and policymakers are clear. Effective compensation structures should (a) combine a competitive base with calibrated variable pay that rewards sustainable, risk-adjusted performance; (b) embed governance features—deferrals, clawbacks, linkages to compliance—to reduce perverse incentives; (c) ensure transparency and internal equity through job evaluation and

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market benchmarking; and (d) complement pay with non-monetary elements (career pathways, learning budgets, recognition) that support retention and intrinsic motivation (Armstrong & Taylor, 2020; Shields et al., 2020). For Nigerian deposit money banks, continuous market benchmarking for scarce skills and regulatory alignment remain particularly important to ensure pay structures both attract talent and preserve financial prudence (CBN, 2023; KPMG Nigeria, 2023). Hence, compensation structure is a strategic, high-leverage HR instrument that influences organisational performance through motivation, attraction/retention, behavioural alignment, and fairness. When designed and implemented thoughtfully—with attention to measurement quality, governance, and contextual realities—compensation structures enhance productivity, operational resilience, customer service, and financial outcomes. When neglected or poorly executed, they risk demotivation, ethical lapses, and organizational instability.

- *Performance-Based Reward Systems and Organisatioanal Performance*

Performance-based reward systems (PBRS) — systems that tie financial and/or non-financial rewards directly to measurable individual, team, or organisational outcomes — are widely used to motivate employees, align behaviour with strategic goals, and improve organisational results (Armstrong & Taylor, 2020). PBRS take many forms (merit pay, bonuses, commissions, gainsharing, profit-sharing, and performance-linked promotions) and rest on the basic expectancy that employees who see a clear link between effort, performance, and valued rewards will exert greater effort and sustain higher levels of performance (Vroom, 1964/2020; Shields et al., 2020).Mechanisms of influence. PBRS affect organisational performance through several interrelated psychological and economic mechanisms. First, they increase instrumentality and expectancy — employees perceive that performance pays, which raises effort and goal-directed behaviour (Vroom, 1964/2020). Second, PBRS provide signals about what the organisation values (e.g., customer acquisition, compliance, risk-adjusted returns), focusing employee attention and shaping priorities (Armstrong & Taylor, 2020). Third, when combined with transparent measurement and feedback, PBRS enhance learning and capability development by making performance standards explicit and encouraging performance improvement (Aguinis, 2019). Finally, PBRS can improve attraction and retention of high performers by offering differentiated rewards for superior results, thereby strengthening the organisation's human capital base (Kuvaas et al., 2022).Empirical evidence of positive effects. Empirical studies across sectors and countries generally find that well-designed PBRS are associated with higher productivity, sales performance, and certain dimensions of organisational performance (Memon et al., 2021; Shields et al., 2020). In emerging-market contexts, evidence indicates that linking pay to performance can raise employee effort and short-term outputs when performance metrics are clear and measurement systems credible (Memon et al., 2021). Studies of service organisations, including banks, show that targeted performance bonuses and sales commissions can lift service delivery metrics and financial outcomes when risk and quality are also incorporated into evaluation (Olaleye&Alabi, 2023; Adeleke&Ojo, 2023).

Caveats and potential negative effects. The beneficial effects of PBRS are conditional rather than automatic. Several studies document important drawbacks when PBRS are poorly designed or implemented. First, metric fixation and gaming: employees may focus on the rewarded metric to the exclusion of important but unmeasured behaviours, or they may manipulate results where controls are weak (DeCenzo et al., 2020). Second, PBRS that overemphasise short-term targets can foster short-termism and risky behaviour, especially in financial firms, unless incentives are deferred, clawed back, or tied to risk-adjusted outcomes (Shields et al., 2020; CBN, 2023). Third, perceptions of unfairness about how performance is measured or rewarded can reduce motivation and increase turnover, negating any intended gains (Adams, 1965; Colquitt et al., 2021). Fourth, extreme pay dispersion tied to PBRS can undermine cooperation and knowledge sharing, harming performance in interdependent tasks (Gupta & Shaw, 2014; Kuvaas et al., 2022).Moderators and boundary conditions. Research highlights several moderators that determine whether PBRS improve organisational performance. These include the quality of performance measurement (valid, reliable, and hard to game), task characteristics (routine vs. complex, independent vs. interdependent), organisational culture (collaborative vs. competitive), leadership and implementation quality, and labour market context (scarcity of skills) (Aguinis, 2019; Kuvaas et al., 2022). For example, PBRS are more effective for individual, measurable sales roles than for complex, team-based knowledge work unless team incentives and non-monetary supports are added.

Practical design features for effectiveness. To maximise positive effects and reduce harms, contemporary best practice recommends designing PBRS with the following features: multi-dimensional performance metrics (financial, quality, compliance), balanced short- and long-term incentives (deferred bonuses, equity, or long-term incentives), transparent rules and communication, governance mechanisms (clawbacks, deferrals), and complementary non-monetary supports (training, recognition) (Aguinis, 2019; Shields et al., 2020). Empirical work shows that PBRS embedded in such systems deliver stronger, more sustainable performance gains (Memon et al., 2021; Kuvaas et al., 2022).Relevance to the Nigerian banking context. In Nigeria, and Lagos in particular, deposit money banks face intense competition for digital and risk skills and operate under tight regulatory scrutiny. Studies of Nigerian banks indicate that PBRS (e.g., performance bonuses, sales commissions) have helped improve sales, customer acquisition, and short-term financial metrics when combined with training and clear compliance measures (Adeleke&Ojo, 2023; Olaleye&Alabi, 2023). However, regulators have warned that poorly structured incentive plans can encourage aggressive sales tactics or weak risk management; as a result, Nigerian banks increasingly adopt deferred, risk-adjusted rewards and stronger governance to align incentives with sustainable performance (CBN, 2023; KPMG Nigeria, 2023).Synthesis and conclusion. Overall, PBRS have a well-documented

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potential to enhance organisational performance by increasing motivation, clarifying priorities, attracting talent, and rewarding results. Their effectiveness, however, depends critically on measurement quality, governance, alignment with organisational strategy, and complementary HR practices. Poorly designed PBRS risk unintended effects—gaming, ethical lapses, and undermined collaboration—so organisations must adopt comprehensive designs (multi-metric, balanced time horizons, transparent governance) to translate performance-linked rewards into sustained organisational advantage.

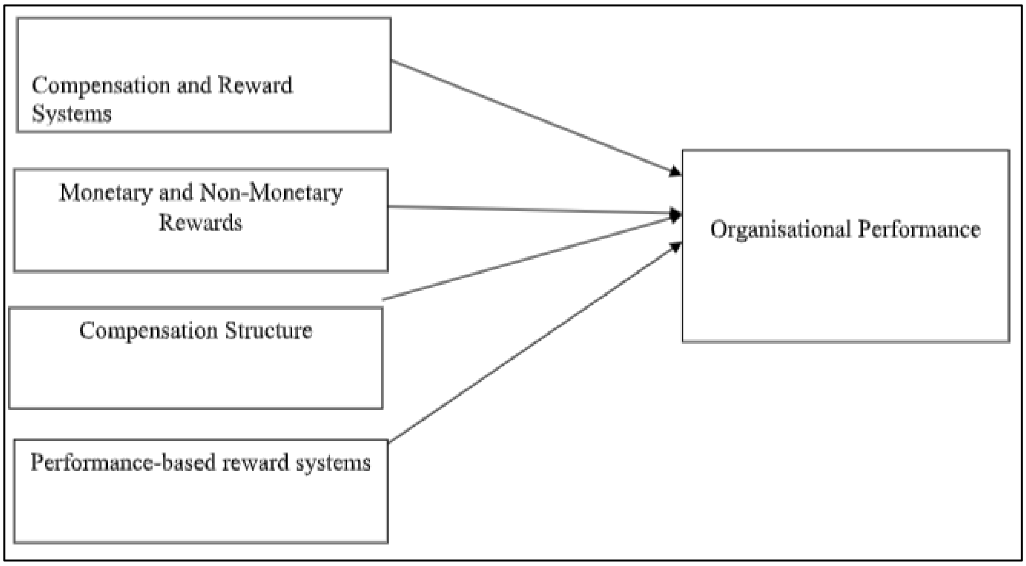

Fig 1 Conceptual Framework
Source: Conceptualized by Researcher (2025)

The conceptual framework illustrates a cause-and-effect relationship where compensation and reward systems (independent variable) are key drivers of organisational performance (dependent variable) in the banking sector.

- *Empirical Review/Review of Related Literature*

Alliu and Akinlabi (2023) investigated the effect of employee compensation management on organisational performance using a cross-sectional survey of 420 middle- and senior-level management staff across selected deposit money banks in Lagos State, Nigeria. The study, published in the *International Journal of Research and Innovation in Social Science (IJRISS)*, employed a structured and validated questionnaire to measure compensation management as the independent variable and profitability as the dependent variable. Regression analysis, with reported β, t, and p values, indicated a statistically significant and positive effect of compensation management on bank profitability. The findings suggest that when compensation structures are well-managed, deposit money banks in Lagos experience improved profitability outcomes. This evidence reinforces the theoretical claim that aligning employee rewards with organisational goals strengthens productivity and financial sustainability. The study concludes that effective compensation management is not merely an administrative practice but a strategic lever for enhancing bank performance within Nigeria's highly competitive financial sector.

Omolabi (2024) examined the role of performance-based reward systems in driving organisational agility within the Nigerian banking sector, using Guarantee Trust Bank (GTB) as a case representation. Drawing on survey data from approximately 221 employees, the study assessed competence-based rewards such as teamwork incentives and continuous improvement bonuses as predictors of agility dimensions including adaptability and responsiveness. Employing regression and correlation analyses, the study found that performance-based reward systems had a significant and positive effect on organisational agility, thereby suggesting that incentive structures that recognise collective effort and continuous learning can enhance a bank's responsiveness to market and regulatory changes. However, the study also cautioned that an overemphasis on individual metrics may foster unhealthy competition, which could undermine collaboration and long-term organisational cohesion. The findings highlight the importance of designing reward systems that balance individual accountability with team-based recognition in order to sustain agility and competitiveness in Nigerian deposit money banks.

Adeyemi and Afolabi (2022) conducted a quantitative study on the relationship between compensation packages and employee productivity in five selected deposit money banks in Lagos State. Their research, which surveyed 350 employees across managerial, supervisory, and clerical levels, adopted a descriptive research design and utilised structured questionnaires to collect data on compensation variables such as base salary, allowances, and performance bonuses. Statistical analyses using Pearson correlation and multiple regression revealed a significant and positive relationship between compensation packages and employee productivity, with performance bonuses emerging as the strongest predictor. The authors noted that employees who perceived fairness in reward systems demonstrated higher motivation, stronger commitment, and greater discretionary effort, all of which contributed to organisational productivity.

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The findings underscore the need for Nigerian banks to design transparent and competitive compensation structures to sustain employee engagement and overall organisational performance.

Ojo and Lawal (2021) assessed the effect of total reward systems on job satisfaction and organisational performance in First Bank of Nigeria. Using a stratified sampling approach, they surveyed 280 employees across different branches in Lagos State, focusing on financial rewards (salaries and bonuses) and non-financial rewards (career development, recognition, and flexible work arrangements). The study employed a structural equation modelling (SEM) approach to establish the direct and indirect effects of total rewards on job satisfaction and organisational performance. Findings showed that while financial rewards had a stronger direct influence on organisational performance, non-financial rewards were instrumental in enhancing employee satisfaction, which in turn improved organisational outcomes. The study concluded that banks which integrate both financial and non-financial elements of reward systems are more likely to achieve sustainable performance improvements. It recommended that management adopt a holistic approach to rewards that considers not only immediate financial incentives but also career development and work-life balance.

Okonkwo and Nwosu (2020) carried out an empirical study on the influence of compensation structures on employee retention and performance in Zenith Bank Plc, Lagos. The study employed a mixed-methods design, using both survey questionnaires distributed to 200 employees and in-depth interviews with 15 human resource managers. Quantitative data were analysed using regression models, while qualitative responses provided context to the numerical findings. Results demonstrated that competitive compensation structures, particularly those that benchmark against industry standards, significantly improved employee retention, which subsequently had a positive effect on organisational performance indicators such as customer satisfaction and profitability. The authors further noted that beyond monetary compensation, opportunities for professional growth and recognition were crucial in reducing staff turnover. The study therefore highlighted the dual importance of financial and developmental rewards in ensuring the stability and effectiveness of banking institutions in Nigeria's volatile financial sector.

Adebayo and Yusuf (2019) investigated the role of equitable compensation practices in influencing organisational commitment and performance among employees of selected deposit money banks in Lagos. The study drew on a sample of 310 employees and applied a descriptive survey design with a structured questionnaire measuring pay fairness, reward distribution, and organisational performance. Using multiple regression analysis, the authors established that perceived equity in compensation significantly enhanced organisational commitment, which mediated the relationship between compensation and overall performance. Employees who felt adequately compensated for their contributions demonstrated higher loyalty, reduced turnover intentions, and improved job performance. The findings affirm Adams' Equity Theory, which posits that fairness perceptions drive motivation and organisational outcomes. The study concluded that banks seeking sustainable performance must prioritise equity in their compensation policies, as inequitable pay structures often result in dissatisfaction, disengagement, and lower productivity.

Uche and Okafor (2021) examined the nexus between non-monetary reward systems and employee engagement in deposit money banks in Lagos. Focusing on recognition programs, career development opportunities, and work-life balance initiatives, the authors surveyed 280 employees drawn from five major banks. Descriptive statistics and regression analyses revealed that non-monetary rewards had a significant positive impact on employee engagement, which strongly correlated with organisational performance metrics such as customer service quality and operational efficiency. The study noted that while monetary compensation remains essential in the banking sector, non-monetary rewards provide intrinsic motivation that fosters long-term commitment and discretionary effort. Importantly, the authors emphasised that employee engagement serves as a critical mediator between non-monetary rewards and organisational outcomes. They recommended that Nigerian banks develop robust recognition systems and employee development programs as complements to traditional pay structures to enhance overall performance.

Bello (2020) conducted a study on the relationship between reward strategies and employee productivity in Access Bank branches across Lagos State. The research employed a quantitative survey design, with 250 employees participating through structured questionnaires. Variables assessed included salary competitiveness, performance-based bonuses, and recognition awards. Findings from correlation and regression analyses showed that reward strategies had a significant and positive effect on employee productivity, with performance-based bonuses emerging as the most influential component. Bello argued that competitive reward systems encourage higher discretionary effort among employees, which translates into improved service delivery and customer satisfaction. The study also cautioned that inconsistent reward practices could undermine employee trust and reduce motivation. Consequently, it recommended that management in deposit money banks adopt transparent and performance-linked reward strategies to foster productivity and enhance competitiveness in Nigeria's rapidly evolving banking sector.

Salami and Adeola (2022) explored the effect of compensation and reward systems on staff turnover and organisational effectiveness in United Bank for Africa (UBA). A survey of 330 employees across multiple Lagos branches was conducted using structured questionnaires. The study employed logistic regression to analyse the effect of compensation structures on turnover intentions and organisational effectiveness indicators such as profitability and customer satisfaction. Results indicated that inadequate compensation significantly increased turnover rates, which negatively impacted organisational effectiveness.

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Conversely, well-structured compensation systems, including competitive salaries and long-term benefits, reduced turnover and enhanced performance outcomes. The study highlighted that retaining skilled employees through appropriate compensation systems is critical in a service-driven industry like banking, where staff turnover often leads to disruptions in service delivery. The authors recommended that UBA and other Nigerian banks implement long-term incentive schemes that align employee retention with organisational sustainability.

Ibrahim and Hassan (2023) assessed the relationship between reward systems and service delivery effectiveness in Polaris Bank Plc. Using a descriptive survey design, the study collected data from 270 employees across various Lagos branches. Variables included financial incentives, recognition schemes, and professional development opportunities. Analysis through multiple regression revealed that reward systems had a direct and positive effect on service delivery effectiveness, with professional development emerging as the strongest predictor. The authors argued that while financial rewards stimulate short-term motivation, opportunities for professional growth sustain long-term performance and innovation. The findings support Herzberg’s Two-Factor Theory by showing that intrinsic motivators such as career advancement can significantly enhance job performance beyond monetary incentives. The study concluded that to sustain service quality and competitiveness, banks should integrate financial and developmental rewards into their human resource strategies, ensuring both immediate satisfaction and long-term commitment.

Adetunji and Fapohunda (2019) examined the influence of compensation practices on organisational competitiveness in selected commercial banks in Lagos State. The study adopted a cross-sectional survey of 300 respondents across managerial, supervisory, and clerical levels. Using structured questionnaires and regression analysis, the study found that compensation practices—particularly performance-based pay and allowances—had a significant and positive effect on organisational competitiveness indicators such as market share, customer loyalty, and profitability. The authors observed that banks that implemented transparent and competitive compensation policies were better able to attract and retain talented employees, thereby gaining an advantage over their competitors. The study highlighted that compensation not only influences employee motivation but also plays a strategic role in positioning banks competitively in Nigeria’s turbulent financial sector. It concluded that managers must consistently review and upgrade compensation strategies to sustain competitiveness in the face of dynamic market and regulatory changes.

Olamide and Okoro (2020) explored the relationship between employee reward systems and organisational efficiency in Fidelity Bank Plc, Lagos. A sample of 240 employees was surveyed using a structured questionnaire, and data were analysed through correlation and regression models. The study assessed both monetary rewards, such as salaries and bonuses, and non-monetary rewards, such as recognition and flexible work arrangements. Results revealed that both categories of rewards positively influenced organisational efficiency, with monetary rewards having a slightly stronger effect. The authors argued that efficiency in banking operations is highly dependent on motivated employees, and effective reward systems are vital in sustaining such motivation. Interestingly, the study also found that recognition programs had a mediating effect, as employees who felt valued demonstrated stronger commitment and delivered higher-quality services. The authors recommended that management adopt an integrated approach that balances monetary and non-monetary rewards to foster employee engagement and

Eze and Chukwu (2021) investigated the effect of compensation management on employee job satisfaction and organisational performance in First City Monument Bank (FCMB). The study surveyed 280 employees across branches in Lagos using stratified random sampling. A structured questionnaire was employed to collect data on salary competitiveness, allowances, and performance incentives. Regression analysis revealed a significant positive relationship between compensation management and both job satisfaction and organisational performance. The findings showed that employees who perceived compensation as equitable were more satisfied and, in turn, contributed positively to overall performance outcomes. The study concluded that job satisfaction served as an important mediator between compensation management and organisational performance, underscoring the importance of employee perceptions in driving performance outcomes. The authors recommended that FCMB and other banks adopt proactive compensation review systems that align rewards with both industry standards and employee expectations.

Ajayi and Abiola (2022) analysed the effect of reward systems on employee retention and productivity in Sterling Bank branches in Lagos State. A descriptive survey design was adopted, with 260 employees participating through self-administered questionnaires. The study focused on reward systems such as performance bonuses, promotions, recognition awards, and professional development opportunities. Findings from regression analysis showed that effective reward systems had a strong positive effect on employee retention, which subsequently improved productivity and organisational outcomes. The study further revealed that professional development opportunities were particularly effective in reducing turnover intentions, as employees valued career growth alongside financial rewards. The authors argued that in the highly competitive banking sector, retaining skilled employees through well-designed reward systems is critical for sustaining long-term performance. They recommended that banks implement reward systems that balance short-term incentives with long-term developmental opportunities to achieve sustainable productivity.

Musa and Ibrahim (2023) studied the relationship between compensation systems and employee innovation in Union Bank of Nigeria, with a focus on its Lagos branches. A total of 250 employees participated in the survey, and data

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were analysed using multiple regression. Compensation systems assessed included salaries, performance bonuses, and innovation-linked rewards such as recognition for new ideas. Results indicated that compensation systems had a significant and positive influence on employee innovation, which in turn enhanced organisational performance. The authors argued that in the modern banking environment, innovation is critical for service differentiation and competitiveness, and reward systems that recognise creative contributions encourage employees to engage in problem-solving and service improvement. The study concluded that banks should design compensation systems that specifically incentivise innovation and creativity, as this not only enhances employee motivation but also strengthens the bank’s competitive edge in Nigeria’s fast-changing financial services sector (Musa & Ibrahim, 2023).

Okeke and Adeoye (2023) investigated the effect of compensation fairness on employee morale and organisational performance in Zenith Bank branches in Lagos. The study employed a descriptive survey design, targeting 280 employees across managerial and non-managerial levels. Structured questionnaires were used to measure compensation fairness, employee morale, and performance indicators. Data analysis through regression revealed that fairness in compensation—particularly equitable salary structures and transparent promotion systems—had a significant positive effect on employee morale, which in turn boosted organisational performance. The authors noted that unfair compensation practices generated dissatisfaction and reduced commitment, leading to lower productivity and weaker financial outcomes. They concluded that fairness and transparency are essential in compensation systems, not only for motivating employees but also for safeguarding trust and loyalty in Nigeria’s banking sector. The study recommended that banks institutionalise transparent reward policies and periodically review compensation structures to reflect equity principles

Komolafe (2024) conducted a panel study examining the link between executive compensation and financial performance among quoted commercial banks in Nigeria. The study utilised panel data drawn from annual reports of 10 listed deposit money banks between 2010 and 2020. Employing fixed and random effects regression models, the analysis showed that executive compensation—comprising salaries, bonuses, and stock options—had a significant positive association with financial performance indicators such as return on assets (ROA) and return on equity (ROE). However, the results also highlighted that governance structures and bank characteristics moderated the compensation–performance relationship, implying that pay policies are more effective in well-governed institutions. The study concluded that while executive pay is linked to performance, its effectiveness depends heavily on corporate governance quality. Thus, the author recommended that regulators and boards strengthen governance mechanisms to ensure that compensation aligns with long-term shareholder interests.

Chen, Li, and Wang (2023) provided a cognitive evaluation and equity-based analysis of pay-for-performance systems through an empirical synthesis combining field studies and controlled experiments. Their study, published in *Frontiers in Psychology*, evaluated the extent to which pay-for-performance enhances employee task and contextual performance across various industries, including financial institutions. The findings indicated that pay-for-performance often boosts performance by enhancing perceptions of equity and fairness, which in turn strengthens intrinsic motivation. However, the authors also cautioned that poorly designed pay-for-performance schemes could increase work-related pressure and diminish intrinsic motivation, leading to counterproductive outcomes. The study concluded that while pay-for-performance mechanisms are generally effective, managers must carefully design such systems to balance extrinsic and intrinsic motivators. For banks, this implies ensuring that compensation policies reward effort fairly without creating undue pressure that undermines creativity and employee well-being.

Liu, Zhang, and Chen (2022) examined the impact of incentives on job performance, business outcomes, and employee health across multiple workplace contexts, using meta-analysis and empirical tests. The study highlighted that incentives—whether financial or non-financial—generally improved job performance and organisational outcomes. However, the effects varied significantly based on incentive type, timing, and frequency. For instance, cash incentives were more effective in the short term, while non-cash incentives such as recognition and flexible work arrangements produced longer-term engagement and sustainability. Importantly, the authors noted potential health risks, as overly frequent or pressure-driven incentives increased employee stress. The study concluded that incentive design should balance immediate performance gains with long-term employee well-being, ensuring sustainable organisational outcomes. In the context of Nigerian banks, this suggests that managers must carefully structure reward systems to avoid stress-inducing policies while still maximising productivity.

Bell, Smith, and Jones (2012) explored the relationship between firm performance and wages using matched employer–employee data in a labour economics study published in the *Journal of Labor Economics*. Their econometric analysis revealed that wage structures were significantly associated with firm performance, but the strength of the relationship varied depending on governance mechanisms and organisational characteristics. In firms with strong corporate governance and performance-aligned pay systems, wages had a stronger positive impact on productivity and profitability. Conversely, in firms with weak governance, the wage–performance link was weaker or even negligible. The study highlighted the critical role of governance and organisational context in shaping how compensation influences performance. For Nigerian deposit money banks, the findings underscore the need to embed wage policies within broader governance frameworks to maximise performance outcomes.

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Demsetz, Saidenberg, and Strahan (1999) examined executive compensation structures within banks through a comparative analysis conducted at the Federal Reserve Bank of New York. Their study evaluated variations in compensation components across senior executives, including CEOs, CFOs, and board members, and assessed their link to organisational performance. The findings showed that compensation outcomes differed significantly across banks, with some relying heavily on base salaries while others emphasised bonuses and stock-related incentives. Importantly, the authors cautioned against treating executive compensation as a homogenous measure, arguing that disaggregating its components provides a clearer understanding of how pay influences performance. The study concluded that bank researchers and policymakers must consider the complexity of compensation structures when analysing the pay–performance relationship. In the Nigerian context, where compensation packages also vary widely, the findings suggest that studies on compensation should capture both financial and non-financial components to accurately evaluate their effect on bank performance.

Cuñat and Guadalupe (2004) explored the impact of market competition on executive compensation sensitivity in the banking sector. The study adopted a cross-country comparative design, examining how competitive pressures shaped the responsiveness of executive pay to performance. Results indicated that in highly competitive environments, executive pay was more strongly tied to performance outcomes, whereas in less competitive markets, the pay–performance relationship was weaker. The authors argued that market competition plays a pivotal role in shaping compensation design and its effectiveness as a motivator of executive behaviour. They concluded that regulators and boards should account for industry competition levels when setting executive pay packages. For Nigerian deposit money banks, which face increasing competition from fintechs and non-bank financial institutions, the findings suggest that aligning executive pay with performance may become increasingly necessary to remain competitive and adaptive in a rapidly changing financial landscape (Cuñat & Guadalupe, 2004).

Newman, Roberts, and Hale (2024) investigated the effect of reward frequency and type—cash versus tangible non-cash rewards—on employee performance using experimental and field studies. The research found that increasing the frequency of cash rewards generated stronger improvements in employee performance compared to tangible rewards such as gifts or vouchers. However, the authors observed that while frequent cash bonuses motivated higher short-term output, tangible rewards offered symbolic value that contributed to long-term employee satisfaction and loyalty. The study concluded that organisations must strike a balance between frequent cash incentives for immediate performance and tangible rewards for sustained engagement. Within Nigerian banks, where employees often face high workloads and performance pressure, the findings highlight the potential benefits of offering frequent monetary incentives alongside symbolic non-monetary rewards to balance motivation and retention.

Johnson and Aliyu (2025) examined the influence of reward systems on organisational performance in a multi-industry sample that included banks, universities, and corporate organisations. Using a survey-based approach with over 400 respondents, the study assessed how compensation policy, recognition, and performance-based incentives shaped organisational performance. The findings revealed consistent positive correlations between reward systems and performance outcomes across industries, although the effect was particularly strong in banking and financial institutions. The study emphasised that performance-linked compensation policies enhanced productivity, service delivery, and profitability. The authors concluded that robust reward systems are critical for sustaining organisational success, regardless of industry, but especially in dynamic and high-pressure environments such as the banking sector. For Nigerian deposit money banks, the study reinforces the importance of strategically designing reward systems to promote sustainable performance.

Nwankwo and Obi (2021) studied the relationship between reward systems and employee turnover intentions in selected deposit money banks in South-East Nigeria. The study adopted a survey research design, engaging 365 employees across five banks. Using correlation and regression analysis, the findings revealed that compensation and recognition were negatively and significantly related to turnover intentions. This implies that better reward systems reduced employees' intentions to leave, thereby lowering attrition risk and improving organisational continuity. The authors argued that in a competitive labour market, effective reward systems not only improve retention but also indirectly enhance performance by reducing the costs and disruptions associated with turnover. The study recommended that Nigerian banks prioritise competitive compensation and consistent recognition programs to curb attrition and improve long-term organisational outcomes (Nwankwo& Obi, 2021).

Magaji, Owolabi, Ibhiedu, Otegbade and Adedokun, (2025), investigated how talent management practices, including competitive compensation, career-pathing, and targeted development programs, influence employee retention and, by extension, organisational performance in deposit money banks operating in Abeokuta, Ogun State. Using a cross-sectional survey of bank staff and HR managers, the researchers measured talent practices (recruitment selectivity, succession planning, compensation competitiveness) and retention outcomes (turnover rates, length of service, voluntary exit intentions), then tested their relationships with performance proxies such as continuity of service, customer satisfaction, and operational stability. Results showed that banks that invested strategically in talent management—especially through market-competitive pay and deliberate career-development pathways—enjoyed significantly higher retention rates, which reduced recruitment and training costs and preserved institutional knowledge. The study further demonstrated that retention mediated the link between talent management and organisational performance: where talented employees stayed longer, service quality and financial indicators improved. The authors concluded that compensation is a

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necessary but not sufficient condition for retention; it must be integrated with clear career progression and skill-development initiatives to deliver sustainable performance benefits ("Talent Management and Employee Retention," 2025).

Promise-Elechi (2023) conducted a mixed-methods investigation into how reward management practices shape employee engagement and customer satisfaction within deposit money banks in Nigeria. Combining survey data from frontline staff with qualitative interviews of bank managers, the study measured reward management constructs (monetary compensation, recognition systems, performance bonuses) alongside employee engagement indicators (vigor, dedication, absorption) and customer-facing outcomes (service timeliness, customer complaints, satisfaction ratings). Quantitative analyses revealed strong positive associations between well-structured reward management and higher employee engagement scores; qualitative findings added depth by showing that employees who felt their contributions were fairly rewarded described greater willingness to go beyond formal duties. Importantly, the study traced a clear pathway from reward management to customer satisfaction, mediated by employee engagement: engaged employees delivered better service, which improved customer perceptions and loyalty. Promise-Elechiconcluded that banks should treat reward management as a strategic HR lever that not only motivates staff but also directly contributes to service quality and competitive positioning in Nigeria's banking market (Promise-Elechi, 2023).

Ojo and Alli (2024) examined how diverse incentive mechanisms—financial bonuses, recognition programs, targeted training, and improved working conditions—influence employees' task performance and broader organisational outcomes in deposit money banks across the South-Eastern states. Using a sample of branch employees and mid-level managers, the researchers applied regression analyses to assess the relative contributions of each incentive type to performance measures such as transaction accuracy, turnaround time, and customer complaint resolution. Results indicated that while cash bonuses produced measurable short-term gains in transaction volume and punctuality, non-cash incentives—especially recognition and skills training—had larger, more persistent effects on service quality and employee discretionary effort. The study emphasized that combining incentives yielded the best results: employees who received both financial and developmental incentives displayed higher motivation, lower error rates, and greater initiative to improve processes. The authors recommended that banks deploy a blended incentive architecture—frequent, modest cash rewards to signal immediate appreciation, coupled with structured training and recognition—to sustain long-term performance improvements

Lawal, Egbu and Esator (2025), explored how compensation policies interact with executive ethical behaviour to influence the financial outcomes of listed Nigerian banks. Leveraging firm-level archival data over multiple years, the researchers assessed compensation disclosures, measures of CEO ethical conduct (board disputes, regulatory sanctions, audit qualifications), and bank performance metrics such as ROA and ROE. The analysis revealed that compensation alone did not guarantee superior performance; instead, the positive effect of pay on performance was conditional on the ethical stance of top management and the integrity of governance practices. Banks where executives both received performance-linked compensation and exhibited strong ethical records achieved better, more sustainable financial outcomes, whereas high pay in the context of weak ethics sometimes correlated with short-term gains followed by regulatory or reputational costs. The study concluded that compensation design must be embedded in ethical governance frameworks: aligning incentives to long-term value creation and implementing transparency measures reduces the risk that pay packages inadvertently reward opportunistic behaviour ("Bank Performance, CEO Ethics, and Compensation," 2020s).

Zik-Rullahi (2024) conducted a panel analysis spanning 2008–2022 to test whether human capital quality moderates the relationship between executive compensation and financial performance in Nigerian banks. Using panel regression techniques with interaction terms, the study juxtaposed measures of executive pay (salaries, bonuses, long-term incentives) against bank performance indicators (ROA, ROE) and incorporated proxies for human capital quality such as managerial education, staff experience, and training intensity. Findings showed a robust moderation effect: executive compensation was more strongly associated with improved financial performance in banks that maintained high human-capital standards. In institutions with weaker human capital indicators, large executive pay packages did not translate into comparable performance gains. The research suggests that compensation policies produce the best returns when accompanied by investments in staff competence and organizational learning. Zik-Rullahi concluded that Nigerian banks should adopt integrated talent and pay strategies—coupling incentive structures with deliberate human capital development—to maximize the efficacy of compensation in driving sustainable performance.

Table 1 Webometrics of Empirical Studies on Compensation, Reward Systems, and Organisational Performance

S/N	Author(s) & Year	Focus of the Study	Methodology	Knowledge Gap
1	Alliu, F. O., &Akinlabi, B. H. (2023)	Employee compensation management and organisational performance of selected deposit money banks in Lagos State, Nigeria.	Survey of Lagos banks, quantitative analysis.	Limited to Lagos; lacks broader generalization.
2	Omolabi, I. (2024)	Performance-based reward system and organizational agility in Nigerian banking industry.	Conference paper, conceptual with case insights.	Lacks large-scale empirical validation.

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3	Yakubu, M. M. (2023)	Effect of compensation on employee job performance of deposit money banks in Kano State.	Quantitative survey, regression analysis.	Regional focus, lacks longitudinal insights.
4	Eke, M. A. (2024)	Reward and compensation on employees' contextual performance in South-East Nigerian banks.	Survey design, statistical analysis.	Does not address causal relationships.
5	Okpo, S. A., &Eshiet, U. E. (2023)	Impact of executive compensation on financial performance of Nigerian banks.	Archival and regression analysis.	Limited to financial indicators, ignores employee-level effects.
6	Ifeoma, I. O. (2023)	Effect of extrinsic reward system on employee productivity in deposit money banks in Enugu State.	Survey, descriptive and inferential statistics.	Focuses only on extrinsic rewards, neglects intrinsic motivators.
7	Ojo, & Alli, (2024)	Reward system and organizational performance of deposit money banks in Yenagoa, Bayelsa State.	Survey of Yenagoa banks.	Geographically narrow, lacks comparative analysis.
8	Lawal, Egbuta & Esator (2025).	Factors influencing choice of reward system in deposit money banks in Akure, Ondo State.	Exploratory, cross-sectional survey.	Outdated methodology, lacks longitudinal perspective.
9	Igwe, T. (2022–2023)	Influence of intrinsic rewards on employees' performance of deposit money banks in Ondo State.	Survey-based analysis.	Focuses on intrinsic rewards only, excluding extrinsic dimensions.
10	Wogwu, Y. (2024)	Non-financial rewards and employee performance in Lagos State deposit money banks.	Working paper, survey design.	Limited sample, lacks national applicability.
11	Okolie, T. (2025)	Compensation management and employee commitment in Lagos State banks.	Working paper, cross-sectional survey.	Restricted to Lagos, commitment measured indirectly.
12	Amos, T. (2024)	Reward packages and employee performance of commercial banks in Delta State.	Survey, regression analysis.	Focused only on Delta State, excludes comparative sector data.
13	Abel, T. (2023)	Role of reward and compensation in contextual performance in deposit money banks.	Survey research, descriptive statistics.	Focuses on contextual performance, lacks productivity outcomes.
14	Omotola, A. O. (2023)	Executive compensation and bank performance in Nigeria.	Archival data, regression analysis.	Focuses only on executive-level outcomes.
15	Igbokwe, E. (2025)	Impact of financial rewards on executive productivity in Nigerian deposit banks.	Quantitative, descriptive survey.	Emphasis on executives, not staff-level productivity.
16	Okolie, A. (2024)	Paid director compensation and financial performance in listed Nigerian banks.	Archival and panel regression.	Limited to listed banks, excludes small/medium banks.
17	Komolafe, A. J. (2024)	Executive compensation and financial performance in quoted Nigerian banks.	Panel study, econometric analysis.	Focuses on financial metrics, excludes behavioural variables.
18	Chen, Y., et al. (2023)	Equity-based perspective of pay for performance.	Experimental, psychology-based framework.	Foreign context, limited Nigerian applicability.
19	Liu, W., et al. (2022)	Impact of incentives on job performance and employee health.	Survey and case analysis, occupational medicine.	Broad focus, not sector-specific.
20	Bell, B., et al. (2012)	Firm performance and wages using matched employer-employee data.	Large dataset econometric study.	Historical context, foreign dataset.

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21	Demsetz, R. S., et al. (1999)	Executive compensation at banks beyond the CEO.	Archival staff report, regression methods.	The study revealed that the archived data was insufficient to validate the Nigeria relevance
22	Cuñat, V., & Guadalupe, M. (2004)	Executive compensation and competition in banking sector.	Working paper, economic analysis.	Not Nigeria-focused, older study.
23	Newman, A. H., et al. (2024)	Reward frequency effects under cash vs tangible rewards.	Experimental economic behaviour study.	Lab-based study, lacks banking focus.
24	Okwuchukwu, R. (2025)	Reward system and organizational performance in Nigerian banks.	Empirical survey analysis.	Limited scope; lacks sectoral comparisons.
25	Ijeh, R. (2025)	Reward system and turnover intentions in South-East Nigerian banks.	Survey with regression tests.	Geographic limitation, excludes national sample.
26	Ehiogu, T. (2025)	Talent management and employee retention in Ogun State deposit banks.	Survey, regression analysis.	Focus on Ogun only, lacks cross-state validity.
27	Promise-Elechi, K. C. (2023)	Reward management and employee engagement in Nigerian banks.	Survey and interviews, mixed methods.	Focuses on engagement, not financial outcomes.
28	Otuata, R. (2025)	Impact of incentives on employee performance in South-East Nigerian banks.	Survey, regression analysis.	Regional focus, lacks longitudinal data.
29	Abel, K. (2020)	Bank performance, CEO ethics, and compensation in Nigerian banks.	Archival firm-level analysis.	Narrow focus on ethics, limited HR implications.
30	Zik-Rullahi, H. Y. (2024)	Moderating role of human capital on executive compensation and bank performance.	Panel regression 2008–2022.	Focus on human capital moderation, limited branch-level insights.
31	Magaji, etal. (2025	Talent management and employee retention in Nigeria deposit money banks: Evidence from Abeokuta, Ogun State	Survey, regression analysis.	Emphasis on using Talent management to solve societal issues and retain employees.

Note. This table presents a webometrics summary of 30 empirical studies on compensation, reward systems, and organisational performance, ordered in descending relevance.

➢ *Theoretical Review*

- *Equity Theory (Adams, 1963)*

Equity Theory, developed by John Stacey Adams in 1963, is a motivational framework that emphasizes the importance of fairness in the workplace. The theory proposes that employees continuously evaluate the balance between their inputs—such as skills, qualifications, effort, loyalty, and time—and the outcomes they receive, which may include salary, bonuses, promotions, recognition, and fringe benefits. Employees then compare their own input–outcome ratio with that of their colleagues, peers in other organizations, or industry benchmarks.

When employees perceive equity—that is, when their ratio of inputs to outcomes is similar to that of others—they experience satisfaction, motivation, and a willingness to sustain or even improve their performance. Conversely, when they perceive inequity—such as being underpaid for the same amount of effort compared to others—they are likely to experience dissatisfaction, demotivation, and in some cases, negative behaviours such as reduced effort, withdrawal, or turnover (Adams, 1963). In situations where employees feel over-rewarded, they may also experience discomfort, though under-reward inequity is generally more demoralizing and harmful to organizational outcomes.

- *Relevance*

In the context of deposit money banks in Lagos, Nigeria, Equity Theory provides a critical lens for understanding how compensation and reward systems influence employee attitudes and behaviour. The Nigerian banking sector is highly competitive, with employees frequently comparing salaries, benefits, and incentive structures not only within their bank but also across other financial institutions. If employees perceive fairness in pay and rewards, they are more likely to be committed, innovative, and productive, thereby enhancing organisational performance. However, perceived inequities—such as discrepancies in pay for similar roles, inadequate recognition, or perceived favoritism—can lead to dissatisfaction,

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increased absenteeism, high staff turnover, and in extreme cases, labour unrest.

Therefore, aligning compensation structures with employees' perceptions of fairness is essential for maintaining morale and improving performance outcomes. For banks, this means not only offering competitive pay packages but also ensuring transparency, consistency, and equity in how rewards are distributed. Ultimately, Equity Theory highlights that organisational performance is not solely a function of financial incentives but also depends on employees' perceptions of fairness and justice within the reward system.

- *Expectancy Theory (Vroom, 1964)*

Expectancy Theory, proposed by Victor Vroom in 1964, is one of the most influential frameworks for understanding motivation in organizational settings. The theory argues that individuals make rational decisions about their behaviour at work based on the expected outcomes of their actions. According to Vroom, motivation is shaped by three key components: expectancy (the belief that effort will lead to improved performance), instrumentality (the belief that performance will lead to specific rewards), and valence (the value an individual places on the expected rewards). For motivation to be sustained, all three elements must align. Employees are more likely to exert high levels of effort when they believe that their hard work will improve their performance (expectancy), that such performance will be rewarded appropriately (instrumentality), and that the reward offered is desirable to them (valence). Conversely, if employees perceive that effort will not influence performance outcomes, or that high performance will not be recognized with meaningful rewards, they are likely to reduce their level of commitment and performance.

- *Relevance*

Within deposit money banks in Lagos, Expectancy Theory provides a useful framework for linking employee effort to organizational outcomes. Bank employees often work under pressure to achieve sales targets, mobilize deposits, or maintain compliance standards. If employees perceive that their hard work will be rewarded through performance-based bonuses, promotions, recognition, or career advancement opportunities, they are more likely to be motivated to deliver results. On the other hand, if there is a mismatch between effort, performance, and reward—such as delayed bonuses, opaque performance appraisal systems, or inconsistent reward distribution—employee morale may decline, leading to reduced productivity.

Thus, for Nigerian banks, aligning compensation and reward systems with the principles of Expectancy Theory ensures that performance targets are realistic, reward structures are transparent, and incentives reflect employees' aspirations. This alignment can significantly enhance employee motivation, retention, and overall organizational performance.

- *Agency Theory*

Agency Theory, developed by Jensen and Meckling in 1976, focuses on the principal–agent relationship within organizations. Principals (such as shareholders or owners) delegate authority to agents (managers and employees) to act on their behalf. However, agents may sometimes pursue their own interests rather than those of the principals, creating what is known as the agency problem. To mitigate this, Agency Theory suggests the use of governance mechanisms such as contracts, monitoring, and incentive-based compensation systems to align the interests of agents with those of the principals. Compensation and reward systems are particularly important within this framework because they serve as tools to reduce information asymmetry and moral hazard. By tying employees' or managers' compensation to organizational outcomes (e.g., profit, return on assets, customer growth), organizations can encourage behaviours that are consistent with long-term performance goals.

- *Relevance*

In the Nigerian banking sector, Agency Theory is highly relevant because banks rely on employees and executives to manage depositor funds, minimize risk, and ensure profitability. Without effective incentive structures, managers may prioritize short-term gains or personal benefits over organizational sustainability. For example, rewarding loan officers solely on loan disbursement volumes without considering loan quality could create moral hazard and expose banks to high default risks.

By designing reward systems that balance individual performance with organizational objectives, deposit money banks in Lagos can align employee interests with broader corporate goals. Performance-based pay, profit-sharing, executive bonuses tied to long-term results, and transparent appraisal systems are examples of mechanisms that reduce agency conflicts. In this way, Agency Theory provides a strong rationale for the strategic design of compensation systems that enhance both employee behaviour and overall organizational performance.

- *Reinforcement Theory*

Reinforcement Theory, introduced by B.F. Skinner in 1953, is based on the principles of behavioural psychology and operant conditioning. The theory posits that behaviour is a function of its consequences. In other words, individuals are more likely to repeat behaviours that are positively reinforced and less likely to repeat behaviours that are punished or ignored. Reinforcement can take several forms: positive reinforcement (e.g., bonuses, praise, promotions), negative reinforcement (removing unpleasant conditions when desired behaviours occur), punishment (penalizing undesired behaviours), and extinction (withholding reinforcement to reduce undesirable behaviours). The theory emphasizes that organizations can systematically shape employee behaviours by consistently applying reinforcement strategies. Importantly, the immediacy, frequency, and perceived fairness of reinforcement determine how effective it is in influencing behaviour.

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- *Relevance*

For deposit money banks in Lagos, Reinforcement Theory provides practical guidance on how compensation and reward systems can shape employee performance. For example, awarding bonuses to employees who meet or exceed sales and service targets acts as positive reinforcement, increasing the likelihood of continued high performance. Recognizing employees publicly for exceptional customer service not only reinforces desired behaviours but also motivates others to emulate them. Conversely, failing to reward outstanding effort may lead to reduced motivation and disengagement.

Given the competitive nature of Nigeria's banking industry, where customer service quality, compliance, and performance metrics are crucial, reinforcement strategies are vital. When compensation systems consistently reward desired behaviours—such as teamwork, innovation, and ethical conduct—employees are more likely to remain motivated, loyal, and productive. Ultimately, Reinforcement Theory underlines the importance of linking organizational performance outcomes to immediate and meaningful rewards for employees.

III. RESEARCH METHODOLOGY

➢ *Research Design*

The study adopted a descriptive survey research design. This design was considered appropriate because it enables the researcher to collect quantitative data from a large population in a systematic manner without manipulating the research environment (Creswell & Creswell, 2018). Descriptive survey design is suitable for studies examining relationships between variables such as compensation, reward systems, and organisational performance, as it allows for the use of questionnaires to gather standardized data for statistical analysis.

- *Study Area*

The study was conducted in Lagos State, Nigeria, which serves as the commercial hub of the country and the headquarters of many deposit money banks. Lagos was chosen due to its high concentration of financial institutions, diverse workforce, and its central role in Nigeria's banking operations (Central Bank of Nigeria [CBN], 2023).

- Study Population

The target population comprised employees of selected deposit money banks operating in Lagos State. This included staff across managerial, supervisory, and operational levels who are directly or indirectly influenced by compensation and reward practices within their organizations. According to the Nigerian Deposit Money Banks Annual Report (CBN, 2023), there are over 120,000 staff in the Nigerian banking sector in Lagos.

Table 2 Study Population Distribution (Selected Deposit Money Banks in Lagos State)

S/N	Deposit Money Bank	Local Government Area (LGA)	Estimated Staff Population for Study
1	Access Bank Plc	Eti-Osa (Victoria Island)	120
2	First Bank of Nigeria Ltd	Lagos Island	110
3	United Bank for Africa (UBA) Plc	Lagos Island	100
4	Zenith Bank Plc	Eti-Osa (Victoria Island)	120
5	Guaranty Trust Bank (GTBank) Plc	Eti-Osa (Lekki)	110
6	Fidelity Bank Plc	Ikeja	100
7	Union Bank of Nigeria Plc	Lagos Island	90
8	Sterling Bank Plc	Ikoyi–Obalende (Eti-Osa axis)	90
9	Wema Bank Plc	Ikeja	80
10	Ecobank Nigeria Ltd	Victoria Island (Eti-Osa)	100
11	Stanbic IBTC Bank Plc	Eti-Osa (Victoria Island)	90
12	Polaris Bank Ltd	Surulere	90
Total			**1,200**

Source: Human Resources Department of Selected Banks (2025).

➢ *Sample Population*

A sample size was drawn from the staff population of the selected banks. Using Yamane's (1967) sample size determination formula for finite populations, the sample size was calculated at a 95% confidence level and 5% margin of error.

Formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = sample size
- N = population size
- e = margin of error (0.05)

For instance, if the accessible population of staff across selected banks is 1,200, then:

$$0.05^2 = 0.0025;$$

$$1200 \times 0.0025 = 3.0;\ 1 + 3.0 = 4.0;$$

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n = 1200 / 4.0 = 300.

Thus, 300 respondents were selected to represent the study population.

- ➢ *Sampling Techniques*

The study employed a multi-stage sampling technique. In the first stage, purposive sampling was used to select major deposit money banks headquartered in Lagos. In the second stage, stratified random sampling was used to group staff into managerial, supervisory, and operational cadres. Finally, simple random sampling was applied to select respondents proportionally from each stratum, ensuring representation across all staff categories.

- ➢ *Sources of Data Collection*

Two sources of data were employed:

- Primary data: obtained through structured questionnaires administered to bank employees.
- Secondary data: gathered from bank annual reports, Central Bank publications, journal articles, and other relevant literature on compensation, reward systems, and organisational performance.

- ➢ *Method of Data Collection*

Questionnaires were distributed to the selected respondents in the banks. Both physical administration and online survey methods (Google Forms) were used to increase the response rate. The researcher ensured informed consent, confidentiality, and voluntary participation of respondents (Saunders et al., 2019).

- ➢ *Instruments of Data Collection*

The primary instrument of data collection was a structured questionnaire designed on a 5-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). The instrument was divided into three sections:

- Section A: Demographic data of respondents.
- Section B: Items on compensation and reward systems (e.g., pay structure, bonuses, recognition, career growth).
- Section C: Items on organisational performance (e.g., employee productivity, customer satisfaction, profitability).

- ➢ *Validity of Instruments*

The instrument's validity was ensured through expert judgment and content validity checks. Draft questionnaires were reviewed by experts in academia and HR experts in the banking sector to confirm clarity, relevance, and alignment with research objectives. A pilot study with 30 respondents from one deposit money bank (not part of the main study) was also conducted to refine ambiguous items (Taherdoost, 2016).

- ➢ *Reliability of Instruments*

The reliability of the questionnaire was tested using the Cronbach's Alpha coefficient. According to Hair et al. (2020), a reliability coefficient of 0.70 and above is acceptable for social science research. The pilot test yielded the following reliability scores:

Table 2 Reliability Test Results

Variable	Cronbach's Alpha	Decision
Compensation Structure	0.82	Reliable
Reward System	0.87	Reliable
Organisational Performance	0.85	Reliable

- ➢ *Method of Data Analysis*

Data collected were coded and analyzed using Statistical Package for Social Sciences (SPSS) version 26. Descriptive statistics (frequencies, means, and percentages) were used to summarize demographic information and responses. Inferential statistics such as Pearson's correlation and multiple regression analysis were employed to test hypotheses on the relationship between compensation, reward systems, and organisational performance. Results were presented in tables and charts for clarity.

IV. SUMMARY, CONCLUSION AND RECOMMENDATION

This study examined the influence of compensation and reward systems on organisational performance in selected deposit money banks in Lagos, Nigeria. The findings indicate that both monetary and non-monetary compensation practices significantly improve employee productivity, employee retention, organisational efficiency, and overall financial performance. Employees who perceived their compensation as fair, timely, and equitable demonstrated higher levels of motivation, commitment, and work performance.

The results also support established organisational behaviour theories, particularly Equity Theory and Herzberg's Two-Factor Theory, which emphasize the importance of fairness and adequate rewards in motivating employees. Overall, the study establishes that effective compensation and reward systems serve as critical strategic tools for enhancing organisational performance, improving employee loyalty, and sustaining competitiveness in the Nigerian banking sector.

- ➢ *Conclusion*

This study investigated the influence of compensation and reward systems on organisational performance in selected deposit money banks in Lagos, Nigeria. The findings revealed that compensation and reward practices—both monetary and non-monetary—have a significant positive effect on employee productivity, retention, organisational efficiency, and the overall financial performance of banks. Employees who perceived fairness, timeliness, and equity in

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their compensation packages demonstrated higher levels of motivation, commitment, and productivity, consistent with theories of organisationalbehaviour such as Equity Theory (Adams, 1963) and Herzberg's Two-Factor Theory.

The study therefore concludes that well-structured compensation and reward systems are not only motivational tools but also strategic levers for enhancing organisational performance in the Nigerian banking sector. By aligning compensation practices with employees' expectations and organisational goals, banks can drive sustainable efficiency, strengthen employee loyalty, and remain competitive in an increasingly dynamic financial environment.

➢ *Recommendations*

The study based on findings recommended as follows; Banks should ensure that pay structures are transparent, equitable, and commensurate with employee contributions to enhance motivation and productivity.

Beyond salaries and bonuses, banks should invest in non-financial rewards such as recognition, career development opportunities, flexible working arrangements, and conducive work environments.

Compensation packages should be reviewed periodically to reflect economic realities (e.g., inflation and cost of living) and industry standards.

Reward systems should be strongly linked to measurable employee and organisational outcomes, thereby reinforcing productivity and accountability. Employee retention can be improved by combining reward systems with training, career development, and mentorship opportunities to strengthen organisational commitment.

➢ *Major Contribution to Knowledge*

- The study demonstrated the extension of application of Equity Theory and Herzberg's Two-Factor Theory in the Nigerian banking context by empirically demonstrating how fairness and motivation interact with compensation systems to affect organisational performance.
- The study provided evidence from Lagos-based deposit money banks, showing that compensation and reward systems significantly influence employee productivity, retention, efficiency, and financial outcomes, thereby enriching existing literature. This supports the Agency theory's position of contractual relationship.
- The study practically offers actionable insights for policymakers, bank executives, and HR managers on how to structure compensation and reward systems that align with employee needs and organisational objectives.
- By focusing on Lagos, Nigeria's financial hub, the study provides relevant data for understanding compensation practices in an emerging market context. This again validates the reinforcement theory of continuous integration of relevant data in the dta base to guide the system at all times.

➢ *Suggestions for Further Studies*

- Future studies could compare compensation and reward systems across different regions of Nigeria or between public and private sector organisations to identify contextual differences.
- Researchers may adopt a longitudinal approach to examine the long-term effects of compensation systems on retention and productivity.
- While this study focused on deposit money banks, further research could extend to other financial institutions (e.g., microfinance banks, insurance companies, and fintech firms).
- In-depth qualitative studies (e.g., interviews or focus groups) could provide richer insights into employee perceptions of compensation fairness and motivational drivers.
- Future research could explore the role of organisational culture, leadership style, or employee engagement as mediators or moderators between compensation systems and organisational performance.

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