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Impact of Financial and Non-Financial Rewards on Employee Motivation and Employee Commitment among Pharmaceutical SMEs

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Abstract

SMEs in Pakistan are not performing according to their potential. Besides other factors, they do not have a well-structured rewards package, due to which the employee motivation and commitment are low. Thus, we have developed a new model to examine the effect of rewards and packages on employee commitment and motivation. We have recruited six enumerators to collect the data from the target population. The enumerators have distributed 400 questionnaires, and they received 385 filled questionnaires. The authors have used Smart PLS version 3.2 for statistical analysis. The developed model has five direct and two mediating relationships. We found support for all hypotheses. The results suggest that financial and non-financial rewards affect employee commitment and motivation. Commitment stimulates motivation. Also, employee commitment mediates (1) non-financial reward and motivation and (2) financial-reward and motivation. The findings

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are consistent with the past literature. SMEs in Pakistan do not have a well-structured HR department, and they make reward-related decisions arbitrarily. Thus, we recommend that SMEs develop a policy for rewards that is rational and unbiased. We also recommend that they should balance non-financial and financial rewards.

Keywords: *Motivation, commitment, financial rewards, non-financial rewards, SMEs.*

Introduction

Human resource management is the backbone of any organization. The human resource department develops and implements policies related to organizational values and the external business environment (Barrett & Mayson, 2007). The HR policies of an organization motivate its employees, help them achieve organizational goals, and promote sustainable growth (Basak & Khanna, 2017). An HR department's primary function is to provide financial and non-financial reward opportunities for employees. Both effective financial and non-financial rewards enhance employee commitment, motivation and contribute to sustainable growth (Andonova & Zuleta, 2007). However, policies related to rewards are effective if they are rational, unbiased, and fair. Financial (or monetary) rewards include "basic pay, fringe benefits, medical/ utility allowances, commission, and bonuses. Non-financial (or non-monetary) rewards include recognition, promotion, and flexible working hours. "The HR department of many firms in developing countries like Pakistan focuses on limited functions, including hiring new employees and maintaining existing and past employees' data.

Most SMEs in Pakistan do not have a formal HR department or have such departments with limited functions. Many SMEs in Pakistan make employees' reward decisions arbitrarily. Thus, the study has focused on SMEs in the textile sector of Karachi. We have selected the textile sector as its contribution to employment generation, and GDP is significantly higher than other sectors. The study examines the impact of financial and non-financial rewards on employees' commitment and motivation. The study also examines the mediating effect of employee commitment on (i) financial reward and employee motivation and (ii) non-financial reward and employee motivation.

Literature Review

Employee Motivation

Researchers have used motivation in an organizational setup as an antecedent, consequence, and mediator. A motivated employee gives his/her optimum effort to improve firm performance (Dessler, Cole & Chhinzer, 2015). Also, a motivated employee expects that both the financial and non-financial rewards are aligned with their performance. Motivation includes various feelings that enable employees to consistently achieve assigned targets and goals (Baron, Rea & Daniels, 1992). Nickson (2013) defines motivation as a process that helps individuals continue with the ongoing learning process to achieve optimum performance levels. Nickson (2013) argues that human resource management practices motivate employees to give their best, which leads to job involvement and job satisfaction. Motivation refers to the inner feelings of employees due to which they happily, enthusiastically and persistently carry out the assigned tasks to achieve organizational goals.

Organizational performance depends on a motivated and talented workforce. A motivated and talented workforce can effectively deal with a difficult task and perform with zeal. The motivation level of an employee has a direct association with performance. Motivated employees have a positive attitude towards work, due to which they achieve the company objectives more efficiently compared to others. Human resource is the key asset of any organization, and it gives a competitive edge to a firm (Datta, Guthrie & Wright, 2005). Past studies have documented that financial and non-financial rewards affect employees' commitment and motivation (Newman & Sheikh, 2012). Commitment is a precursor to motivation (Johnson, Chang & Yang, 2010). At the same time, commitment mediates rewards and motivation (Meyer & Nujjoo, 2012).

Conceptual Framework

We have proposed a new model with four variables, five direct hypotheses, and two mediating relationships in Figure 1. The study has discussed the theoretical support of the proposed relationships in the subsequent sections.

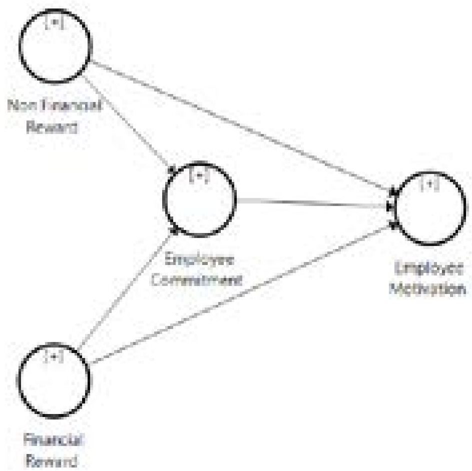

Figure 1: Conceptual Framework

Hypotheses Development

Non-Financial Rewards and Employee Commitment

Employees in many firms find a wide gap between their expectations and what they must do. This gap makes employees unsatisfied and non-committed. Besides other aspects, one of the main reasons for this is the inefficiency of management in balancing extrinsic and intrinsic rewards (Yousaf et al., 2014). Response to a reward varies from one employee to another. Some employees are more receptive to intrinsic rewards, while others are motivated by extrinsic rewards. Thus, firms need to understand the motivational aspects of all employees in an organization and offer rewards to employees based on their preference (Meyer, Becker & Vandenberghe, 2004). Ghosh et al. (2016) argue that most employees prefer extrinsic rewards such as cash; however, many employees' performance increases with intrinsic rewards such as appreciation. A firm that can balance extrinsic and intrinsic rewards would have more committed employees than firms that do not balance extrinsic and intrinsic rewards (Meyer & Nujjoo, 2012). Properly managed employees are highly motivated and can increase the sustainability of a firm. Firms that offer high-quality services for the best prices have sustainable growth. This growth is only possible if the firms learn to connect all the employees' talents and commitment. Lok & Crawford (2004) argue that employees' commitment significantly depends on a conducive organizational culture in which employees have a high level of empowerment. A committed employee has a high motivation level and an emotional attachment with a firm (Heavey et al., 2011).

Malhotra & Singh (2007) believe that intrinsic rewards (i.e., non-monetary) are stronger predictors of affective commitment than extrinsic rewards. Thus, firms that perpetually appreciate and encourage their employees verbally and non-verbally can increase their motivation and commitment level (Altindis, 2011). Also, social rewards promote employees' trust and emotional attachment, due to which they take more interest in achieving organizational goals. Organizational support also enhances employees' affective commitment. Employees who receive emotional and tangible support from an organization reciprocate by adopting positive behavior towards their work. This behavior enhances employee commitment and motivation (Chipunza & Berry, 2010). Chiang & Birtch (2012) argue that when a firm gives non-financial rewards to employees, including holidays, employees feel that the organization cares about them and is concerned about their well-being. Consequently, employees are more motivated and work efficiently. Similarly, Luthan et al. (2006) argue that when employees understand that the firm values certain behavior, they tend to adopt such behavior.

Researchers argue that when two firms offer the same tangible rewards, employees prefer the firm that offers more intrinsic rewards (Ajila & Abiola, 2004). Kokubun (2017) argues that highly commitment managers reward their employees rationally and judicially. As a result, employees reciprocate by being more committed to the firm by increasing their "social bond." Wright, Killebrew & Pimpalapure (2002) based on empirical results, concluded that extrinsic rewards positively associate with the goal-related commitment of employees. Firms generally praise, recognize, and promote committed workers in comparison with non-committed employees. Also, studies have found that employees are more committed when a firm allows them to fulfill their psychological needs. Consequently, workers polish their skills and knowledge to contribute towards organizational goals.

H1: Financial rewards have a significant positive effect on employee commitment.

Financial Rewards and Employee Commitment

Financial incentives stimulate employee commitment and sustainable relationships (Kilimo et al., 2016). Thus, firms that offer market competitive financial rewards can enhance employees' commitment levels and organizational performance (Shalini, 2020). Many firms enhance employee commitment by rewarding them through "bonuses, profit sharing, and stock options" (Awino & Kipsang, 2020). Hadžiahmetović & Dinç (2017) suggest that employees expect their organizations to appreciate their performance through different financial rewards. When a firm meets employees' expectations, they remain committed to their work and do not think about moving to other organizations. Thus, it results in a pool of highly motivated employees necessary for sustainable growth (Whitener, 2001).

In the prevailing competitive era, the retention of talented employees has become difficult. Thus, many organizations have shifted from a conventional rewards system to a performance-based rewards system. Factors such as "performance, skills, knowledge, and competence" are essential facets of performance-based rewards (Yun, Takeuchi & Liu, 2007). Firms that adopt a performance-based rewards system benefit by having a large pool of satisfied and committed employees (Johnson, Chang & Yang, 2010; Milkovich & Newman, 2008).

Many past studies based on empirical results have concluded a positive association between "financial rewards, commitment, and loyalty (Kreisman, 2002; Urbancová & Vnoučková, 2018). While Kurdi, Alshurideh & Alnaser (2020) also found that financial rewards promote employee commitment, reduces turnover intentions, and increases employee loyalty. Employees' commitment to an organization is also directly associated with their wants and desires (Jeni, Mutsuddi, & Das, 2020). Employees rewarded at work do not find a significant gap in their rational needs and desires. Consequently, they are more motivated and committed than others (Teo, Bentley & Nguyen, 2020). While extending Vroom's (1964) model, many studies found a "significant association between loyalty and expectation." Thus, for employees whose expectations of financial rewards are high, their commitment and motivation level would also be high (Andonova & Zuleta, 2007).

H2: Financial rewards promote employee commitment.

Non-Financial Rewards and Employee Motivation

Many past studies have examined the impact of different aspects of "financial and non-financial rewards" on employee motivation. For example, Nyandema & Were (2014) found that "career development, management and coaching/mentoring" affects employee motivation and satisfaction. Additionally, the study found that a conducive work environment is a critical intrinsic reward that stimulates a positive attitude. Kurdi, Alshurideh & Alnaser (2020) found that "self-esteem and appreciation for work" are a precursor to employee motivation. The authors also indicated that employee benefits depend on educational qualification and tenure in an organization. Promotion and growth opportunities are other non-financial rewards that enhance employee motivation (Teo, Bentley & Nguyen, 2020). However, the study suggests that a reward system is effective if based on realistic and rational standards. On the contrary, many researchers believe that all the employees do not have the same skills and capacity to learn. Therefore, a standard non-financial reward system for all the employees may not be effective.

Bari et al. (2019) found that "employee empowerment and supervisory attitude" are a critical precursor to employee motivation. When a firm provides freedom and supportive attitude, then employees' trust increases. Consequently, the trust element motivates employees and enhances their emotional attachment with the firm. Harunavamwe & Kanengoni (2013) found that the impact of non-monetary rewards on junior employees' motivation level is moderate. But "monetary rewards and motivation" have no significant association. Jeni, Mutsuddi & Das (2020) argue that demographic factors moderate the association between non-financial rewards and motivation. Thus, the study recommended that firms should focus on this aspect while developing non-financial reward policies. It is not advisable to have a uniform non-financial policy for all gender, ages, and income groups (Jamjumrus, 2019).

A study examined the impact of five non-monetary rewards, i.e., "training, recognition for performance, opportunities for career advancement, effective communication channels, and job security." The study found that these five aspects affect employee motivation except "training and performance recognition" (Cheema & Mirza, 2013). Yousaf et al. (2014) found that non-financial rewards are important predictors of motivation in developed countries. On the other hand, it is not that important in developing countries like Pakistan. Tausif (2012) found a strong association between "non-financial rewards and motivation" in Pakistan's education sector. The study also found that non-financial rewards are not a strong predictor of motivation for all age groups. It is higher for older employees and lower for younger employees.

H3: Non-financial rewards positively affect employee motivation.

Financial Rewards and Employee Motivation

Many past studies have documented that financial rewards are a precursor to employee motivation (Fischer, Malycha & Schafmann, 2019; Shibly & Chatterjee, 2020). These studies also found that a change in reward has a corresponding impact on employee motivation and satisfaction. Nyandema & Were (2014) found that extrinsic rewards promote employee motivation, but they also observed that many organizations are not rewarding their employees appropriately, due to which they have a low motivation level.

Similarly, Lombardi et al. (2020) found that financial rewards and motivation do not directly affect all employees. Extrinsic rewards do not influence employees in the higher-income group the same way as employees belonging to lower-income groups. Ekhayemhe & Oguzie (2018) based on empirical results, have concluded that financial rewards stimulate employee motivation. That is, an increase in rewards would increase employee performance and motivation. The study also found that the association between extrinsic rewards and motivation is universal. Prasetya & Kato (2011) found that intrinsic and extrinsic rewards affect employee motivation and performance. Thus, organizations, besides offering a competitive salary package to employees, should not ignore intrinsic rewards. Robescu & Iancu (2016) argue that offering fair and adequate rewards to all employees in an organization is difficult since their expectation level is not the same. It depends on a host of cultural and demographic factors.

H4: Financial rewards positively affect employee motivation.

Employee Commitment and Employee Motivation

Commitment and motivation have some similarities. For example, both concepts are related to "energizing employees with implications for behavior." Thus, commitment is a “force that binds an individual to a course of action” while motivation is “a set of energizing forces” (Meyer & Herscovitch, 2001). The two definitions suggest that motivation is a broader concept and commitment being a “set of energizing forces” stimulates motivation (Ajila & Abiola, 2004). Heavey et al. (2011) argue that commitment is a strong source of motivation and persists despite facing opposing forces. Therefore, both commitment and motivation influence employee behavior.

Many researchers argue that commitment is an important concept. Several studies have examined its effect on organizational outcomes, including “turnover, motivation and performance.” (Meyer et al., 2004). The existing literature suggests that commitment has both a direct and indirect association with motivation. While a few studies suggest that employee commitment and motivation have a bi-directional relationship. That is, motivation affects commitment at the same time as commitment promotes motivation. Both individually and collectively enhance organizational performance (Altindis, 2011). Commitment has two broad aspects, including “organizational commitment and employee commitment.” In this study, we have examined employee commitment. Many researchers suggest that employee commitment is a precursor to organizational commitment and employee motivation. Johnson, Chang & Yang (2010) suggest that factors such as financial and non-financial rewards moderate employee commitment and motivation (Chipunza & Berry, 2010). A few studies have examined the effect of “normative commitment, affective commitment, and continuous commitment” on organizational consequences (Kreisman, 2002; Hadžiahmetović & Dinç, 2017). These studies found that all the facets of commitment that are “normative, affective, and continuous “stimulate employee motivation. The studies also found that the affective commitment effect size is greater than normative and continuous commitment (Awino & Kipsang, 2020; Pregnolato, 2010). Thus, firms that can promote “affective commitment” in their employees would have sustained growth.

H5: Employee commitment positively impacts employee motivation.

Mediating Effects

The above discussion suggests that both financial and non-financial rewards affect employee commitment. It also indicates that employee commitment promotes employee motivation. Given the relationship of financial and non-financial rewards with employee commitment and employee motivation, we have proposed mediating relationships.

H6: Employee commitment mediates financial rewards and employee motivation.
H7: Employee commitment mediates non-financial rewards and employee motivation.

Methodology

Population and Sampling

The study focuses on SMEs in the textile sector of Karachi. We have targeted this sector because its contribution towards employment generation and GDP is significantly higher than other sectors. The data was collected from the target population through six recruited enumerators. The enumerators visited the target SMEs and distributed 400 blank questionnaires. A total of 385 filled questionnaires were received. The data was collected through quota sampling.

Respondents Profile

The respondents' profile is as follows. Of the total respondents, 68% are males, and 32% are females. About 35% of respondents are married, and 65% are single. In terms of age, 24% of the respondents are in the age bracket 18-28 years; 21% in the age bracket 29-40 years; 30% between 41-50 years; 20% are 51-60 years and 5% are more than 60 years old. The education background shows that 55% of the respondents have an intermediate level of education, 30% have a bachelor level of education and 15% have a master level of education.

Scale and Measures

The study has measured respondents' opinions using a five-point Likert scale, where 1 = strongly disagree and 5 = strongly agree. The questionnaire has four latent variables and 24 indicator variables. Table 1 shows a summary of the constructs used in the study.

Table 1: Scale and Measures

Constructs	Sources	No. of items
Non-Financial rewards	Bustamam et al. (2014)	5
Financial rewards	Pregnolato (2010)	5
Employee motivation	Musinguzi et al. (2018)	6
Commitment	Mayer, Allen & Smith (1993)	8

Data Analysis

The study has used the Smart PLS software version 3.2 for data analysis. It is inclusive of reliability and validity analysis and generating measurement and structural models.

Descriptive Analysis

The study has examined the constructs' internal consistency based on Cronbach's alpha values. Further, univariate normality was assessed based on skewness and kurtosis values. Table 2 shows a summary of the descriptive analysis.

Table 2: Descriptive Analysis

	Cronbach's Alpha	Mean	SD	Skewness	Kurtosis
Employee Commitment	0.802	4.25	1.25	-1.116	1.320
Employee Motivation	0.874	4.14	1.35	1.204	1.376
Financial Reward	0.835	3.98	0.87	-0.987	-1.555
Non-Financial Rewards	0.884	3.77	1.10	-1.001	0.987

The results suggest that Cronbach's alpha values ranged from 0.802 to 0.884. The Cronbach's alpha value is the highest for non-financial rewards (Mean= 3.77, SD=1.10, α= 0.884) and the lowest for employee commitment (Mean=4.25, SD=1.25, α=0.802). Thus, we have concluded that the latent variables used in the study have good internal consistency. The Skewness (SK) values of the study's constructs are as high as 1.204 and as low as -1.116. Moreover, the Kurtosis (KR) values are as high as 1.376 and as low as -1.555. Therefore, we have inferred that the latent variables do not violate the requirement of univariate normality.

Composite Reliability and Discriminant Validity

Table 3 shows the results related to composite reliability and discriminant validity.

Table 3: Composite Reliability and Discriminant Validity

	Composite Reliability	AVE	EC	EM	FR	NFR
Employee Commitment	0.802	0.629	0.793			
Employee Motivation	0.874	0.666	0.592	0.816		
Financial Reward	0.835	0.668	0.397	0.487	0.817	
Non-Financial Reward	0.884	0.689	0.459	0.631	0.574	0.830

The results show that the values of composite reliability (CR) range from 0.802 to 0.884. It also shows that all AVE values are at least 0.60, suggesting an acceptable value of convergent validity. The discriminant validity results show that the AVE square root is as low as 0.793 and as high as 0.830. The AVE square values are greater than the Pearson correlation values. Thus, we have inferred that the constructs used in the study are "unique and distinct."

Confirmatory Factor Analysis

We have carried out confirmatory factor analysis to examine the relationship of indicator variables with the corresponding latent variable. Table 4 shows the results related to confirmatory factor analysis.

Table 4: Confirmatory Factory Analysis

	Employee Commitment	Employee Motivation	Financial Reward	Non-Financial Reward
EC1	0.72			
EC2	0.75			
EC3	0.87			
EC4	0.82			
EC5	0.79			
EC6	0.77			
EC7	0.78			
EM1		0.75		
EM2		0.86		
EM3		0.87		
EM4		0.85		
EM5		0.74		
EM6		0.89		
EM7		0.77		
EM8		0.77		
FR1			0.68	
FR2			0.88	
FR3			0.90	
FR4			0.86	
FR5			0.81	
FR6			0.77	
NFR1				0.79
NFR2				0.81
NFR3				0.81
NFR4				0.86
NFR5				0.89

The above results show that the factor loadings of all the indicators variables are greater than 0.60, suggesting that indicator variables are theoretically related to the respective latent variables.

Results

Results of Direct Hypotheses

We in the study have proposed five direct hypotheses, which we empirically tested by bootstrapping. The results related to direct hypotheses are illustrated in Table 5. The measurement model and structural models are illustrated in Figures 2 and 3, respectively.

Table 5: Results Related to Direct Hypotheses

	Beta	T Statistics	P Values	Results
Non-Financial Reward -> Emp. Comm.(H1)	0.345	10.052	0.000	Accepted
Financial Reward -> Emp. Comm.(H2)	0.199	5.788	0.000	Accepted
Non Fin. Reward -> Emp. Mot. (H3)	0.399	12.739	0.000	Accepted
Financial Reward -> Emp. Mot. (H4)	0.114	4.472	0.000	Accepted
Emp. Com. -> Emp. Mot. (H5)	0.364	14.702	0.000	Accepted

The results support all the hypotheses as all the p-values are lesser than 0.05. The results also suggest that the effect size for the association between non-reward and employee motivation is the highest ($\beta = 0.399$), and the lowest is for the relationship between financial rewards and employee motivation ($\beta = 0.114$).

Results of Indirect Hypothesis

We have proposed two indirect hypotheses, which were tested by bootstrapping. The results are illustrated in Table 6. The results support both the mediating hypotheses as the p-value is less than 0.05.

Table 6: Results Related to Indirect Hypotheses

	Beta	T Stat.	P Values	Results
Non Fin. Reward -> Emp. Com. -> Emp. Mot.(H6)	0.1256	8.7931	0.000	Accepted
Fin. Reward -> Emp. Com -> Emp. Mot.(H7)	0.0723	5.1847	0.000	Accepted

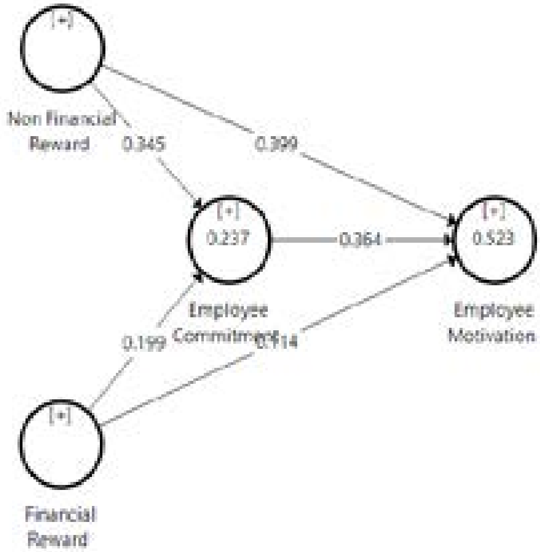

Figure 2: Measurement Model

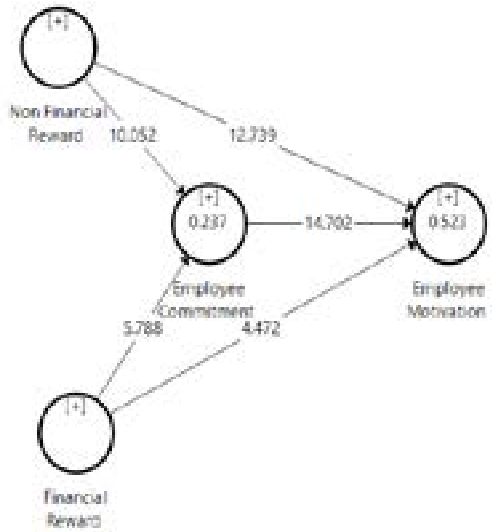

Figure 3: Structural Model

Discussion and Conclusion

Discussion

The study has proposed five direct and two mediating hypotheses. Our results support all the hypotheses. We have discussed each hypothesis and its relevance to earlier studies in the following section.

Hypothesis 1 states that "non-financial reward has a positive effect on employee commitment." Our results are in line with this hypothesis and earlier literature. Both financial and non-financial rewards promote employee commitment (Shalini, 2020). The existing literature suggests that non-financial rewards influence employees in developed countries, and financial rewards are more important in developing countries (Kilimo et al., 2016; Kokubun, 2017). The literature suggests that non-financial rewards have not the same impact on all employees (Lok & Crawford, 2004). Generally, it affects the commitment level of old-age employees and employees with a higher income (Meyer & Nujjoo, 2012).

Hypothesis 2 postulates that "financial reward has a positive effect on employee commitment." Meyer, Becker & Vandenberghe (2004) suggest that a firm can enhance employee commitment by offering market-competitive financial packages. As a result, employees would be content, have a positive attitude towards work, and develop a sustainable relationship with the firm. Firms can also make their financial package more lucrative by including "bonuses, profit sharing, and stock ownership" in the financial package (Ghosh et al., 2016; Yousaf et al., 2014). Offering stock ownership options in the financial package makes employees the shareholders, due to which their commitment and dedication increase significantly. The stock ownership option to the employees is common in developed countries compared to developing countries (Yun, Takeuchi, & Liu, 2007).

Hypothesis 3 suggests that "non-financial rewards have a positive effect on employee motivation." Our results support this hypothesis. Many past studies found that financial and non-financial rewards impact employee motivation. However, the studies also suggest that the impact of financial awards is significantly stronger than non-financial rewards. Employees in labor-intensive domains are less motivated with non-financial rewards than other sectors (Urbancová & Vnoučková, 2018; Whitener, 2001). The association between non-financial rewards and motivation also varies according to age and income group. Non-financial rewards and motivation relationships are more relevant for employees in the higher-income and old-age groups (Jeni, Mutsuddi, & Das, 2020; Jamjumrus, 2019).

Hypothesis 4 assumes that "financial reward has a positive effect on employee motivation." Many past studies have documented that financial rewards enhance employee motivation, due to which employees develop a positive attitude towards their work. This positive attitude enhances employee and organizational performance (Fischer, Malycha & Schafmann, 2019; Yun, Takeuchi & Liu, 2007). Offering appropriate financial packages to employees also enhances their trust, due to which they develop a sustainable association with an organization. A large pool of talented employees gives a competitive edge to a firm resulting in sustainable growth (Lombardi et al., 2020; Ekhayemhe & Oguzie, 2018). Shibly & Chatterjee (2020) argue that a firm should not ignore the non-financial rewards while focusing on financial rewards. An adequate balance between the two is necessary for enhancing employee motivation and loyalty (Robescu & Iancu, 2016).

Hypothesis 5 states that "employee commitment has a positive effect on employee motivation." Commitment has three facets "normative commitment, affective commitment, and continuous commitment" (Hadžiahmetović & Dinç, 2017; Chipunza & Berry, 2010). All three facets of commitment individually and collectively stimulate employee motivation. Most researchers suggest that affective commitment's impact on motivation is higher than normative and continuous commitment (Awino & Kipsang, 2020; Kilimo et al., 2016).

Hypothesis 6 and 7 states that employee commitment mediates (i) non-financial reward and motivation and (ii) financial rewards and motivation. We found support for both mediating relationships, consistent with earlier studies (Lok & Crawford, 2004; Yun, Takeuchi & Liu, 2007; Jeni, Mutsuddi & Das, 2020).

Conclusion and Implications

We have developed a model that has five direct and two mediating relationships. We found that "financial and non-financial rewards" affect commitment and motivation. Commitment is also a precursor of motivation. The results also suggest that commitment mediates (i) Non-financial rewards and motivation; (ii) financial rewards and motivation.

The current study would help academicians, researchers, and practitioners to make strategic plans and HR policies. We found that both financial and non-financial rewards affect employee commitment and motivation. Thus, SMEs in Pakistan must keep a balance between "financial and non-financial rewards while developing their reward package." Ignoring one or the other will not be effective in enhancing employee commitment and motivation. Committed and motivated employees in SMEs will give them an edge over others. As a result, SME performance may increase and lead to sustainable growth.

Limitations and Future Research

This research study has many limitations. We have focused on the SMEs in the textile sector of Karachi. Future studies can target other sectors, including large scale manufacturing sector and the services industry. The effect of financial and non-financial rewards is not the same on employees from different age and income groups. Other studies may explore these aspects. Pakistan is a culturally rich country. Cultural values also affect motivation and commitment. Therefore, we recommend researchers to explore this aspect.

Annexure 1

Constructs and Items used in the Questionnaire

Employee Commitment
I feel emotionally attached to my current employer.
I feel a strong sense of belonging to my current employer.
I feel like a part of the family with my current employer.
I would be very happy to spend the rest of my career with my current employer.
I really feel as if my current employer's problems are my own.
My current employer has a great deal of personal meaning to me.
Too much of my life would be disrupted if I decided to stop working for my current employer.
I believe I have too few options to consider no longer working for my current employer.
Employee Motivation
These days I feel motivated toward work
I do this job as it gives long term security to me
I am punctual about coming to work
It's not a problem if sometimes I come late
I always relied on my colleagues at work
I always complete my task efficiently and on time.
Non-Financial Rewards
I prefer to receive appropriate recognition for my contribution.
I like to receive continuous fed back and recognition
I like to hear informal praise (well done, thank you)
The feedback from employer is actually shows the true picture of my hard work.
I prefer to receive formal recognition (certificate)
Financial Rewards
I enjoy extra income coming in mid-year
I financially stable due to monetary rewards on my achievements
Financial rewards give more motivation toward work than non-financial rewards.
When I am financially stable I become more committed toward my organization.
I is more attractive and motivating to get the amount of your hard work.

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