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## **Impact of Incentives on the Employees' Loyalty: Evidence from Bahrain**

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### **ABSTRACT**

The aim of this research is to identify the impact of incentives on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at a private company in the Kingdom of Bahrain. A hundred and ten employees were surveyed through a simple random sample. The analysis is based on the outcomes of the questionnaire survey that was given out to a representative sample of the employees of a private company in the Kingdom of Bahrain. The researchers hypothesized that there is a positive significant impact for incentives, on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at a private company in the Kingdom of Bahrain. The findings revealed that, there is a positive significant impact for incentives on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at the company in question in the Kingdom of Bahrain. Moreover, the results indicated that there is no positive significant impact for incentives on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at the company in question in the Kingdom of Bahrain due to the demographics (gender, qualification, years of experience and position). Only there was a significant impact due to the demographic (age).

### **KEYWORDS:**

Incentives, Employees' loyalty, Emotional Loyalty, Normative Loyalty, Constant Loyalty, Kingdom of Bahrain.

### **1. INTRODUCTION:**

Incentives are considered as the basics of ensuring the achievement of the goals of organizations in all its forms and reaching the highest level of organizational loyalty of employees, which leads to the highest level of job performance (Erbas, Ali, 2012). In addition, organization loyalty is the important and basic key to examine the existing harmony between employees and their organizations. Individuals who are loyal to their organizations, are those who have sufficient willingness to devote more efforts and dedication to their work and always strive to maintain the integrity of their association and affiliation with the organizations they work for (Manoba, 2013). It can be said that successful organizations are those that establish an effective incentive system that is able to positively influence the performance of employees in a way that increases their loyalty to the organizations they work for in order to help them to survive, grow and develop.

The rest of this paper is organized as follows: Literature review is presented in section (2), section (3) introduces the methodology. Discussion and results of statistical analysis are explained in section (4), while conclusions and recommendation are in section (5).

## **2. THEORETICAL FRAMEWORK & LITRATURE REVIEW**

### **2.1 Incentives**

#### **2.1.1 Incentives definition**

It is defined as the set of external factors and stimuli that motivate the individual to perform the tasks entrusted to him in the best manner by satisfying his physical and moral needs and desire (Qalal, Naseema, 2017).

#### **2.1.2 Benefits of the incentive systems**

- Satisfy employees' physical needs and desires for money and morals for respect, appreciation and self-affirmation.
- Satisfy employees' sense of fairness and equality with in the organization.
- Increase employees' satisfaction with work.
- Increase of the loyalty and belonging of the employees toward the organization they work for.
- Increase employees' productivity.
- Develop the spirit of cooperation among employees (Marawna, Hazem, 2016).
- Develop the innovative and creative energies of employees to ensure the prosperity, development and growth of the organization.
- Develop a spirit of participation and cooperation, where collective incentives lead to group unity to achieve the standards required to be obtained (Mohamed, Samar, 2018).

#### **2.1.3 Types of incentives**

- According to their nature:
  - Physical incentives, which satisfy the basic needs of employees, encouraging them to do their best at work, such as high salaries, bonuses, allowances and profit sharing.
  - Moral incentives, which are those that do not depend on money to encourage employees to do good work, but rather rely on moral means based on respect such as thanks and appreciations, opportunities for promotion, participation in management, improving of work conditions and job enrichment (Lai, Calista, 2009).
- According to their goals:
  - Positive incentives, which are the moral and physical compensation that employees receive for their efficiency at work such as the employees' stability at work and the awarding certificates of appreciation.
  - Negative incentives, which represent the deterrent aspect that the organization takes with employees who are negligent in their duties, such as denial of compensation, wage reduction and suspension of bonuses (Erbas, Ali, 2012).

## 2.2 Employees' Loyalty

### 2.2.1 Employee's loyalty definition:

It is defined as a person's desire to survive as a member of the organization he works for, and to dedicate to the service of it, and his acceptance of its goals and values (Al Heeti, Khalid, 2005).

### 2.2.2 The importance of employees' loyalty

- Ensuring the continuity of the organization's work force, especially those with high skills and experience.
- Achieving the goals of the organization through the efforts and creativity of loyal employees.
- The employees' feeling of loyalty to the organization they work for enhances their self-confidence, relieves the burden on supervisors in guiding them, and enhances the employees' feelings of stability and job security, which helps to navigate them with the thought of change in the organization positively (Khalifat, Abdelfattah, 2009).

### 2.2.3 Organizational loyalty Dimensions

- Emotional loyalty, which expresses the emotional attachment to the organization. It is affected by the individual's awareness of the characteristics of his work, his independence, the diversity of his skills, his relationship with his superiors, and his participation in decision-making (Al Dossari, Saad, 2005).
- Normative loyalty, which expresses the moral obligation of the employees to remain in the organization they work for and reinforces their sense of the values that acquired after wrapping in it (Manoba, Mezwar, 2013).
- Constant loyalty, which based on the profit that the individual will save from staying in the organization he works for in exchange for what he will lose if he decides to leave work in it, and therefore, it expresses the physical interest (Al Dossari, Saad, 2005).

## 3. METHODOLOGY:

### 3.1 Research problem:

Based on various studies that confirmed the importance of incentives and its positive impact on employees' loyalty, the researchers wanted to identify the impact of incentives on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at a private company in the Kingdom of Bahrain. The problem of research can therefore be expressed in the following key question:

"What is the impact of incentives on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at a private company in the Kingdom of Bahrain?"

The main question results in the following sub-questions:

- a. What is the reality of incentives at a private company in the Kingdom of Bahrain?
- b. What the reality of the employees' loyalty at a private company in the Kingdom of Bahrain?
- c. What is the reality of the relationship between incentives and employees' loyalty at a private company in the Kingdom of Bahrain?

### **3.2 Importance of the research**

This study addresses one of the important topics in the field of Business Administration, which is incentives that can have a significant impact on the employees' loyalty at a private company in the Kingdom of Bahrain. It leads to recommendations and suggestions, to increase the effectiveness of this topic and thus benefit decision-makers at the company in question in activating the impact of incentives to develop the employees' loyalty.

### **3.3 Research objectives**

- Identify the reality of incentives at a private company in the Kingdom of Bahrain.
- Identify the reality of employees' loyalty at a private company in the Kingdom of Bahrain.
- Identify the impact of incentives on the employees' loyalty at a private company in the Kingdom of Bahrain.
- Identify the statistically significant differences with regard to the impact of incentives, on the employees' loyalty at a private company in the Kingdom of Bahrain, according to the demographics (gender, age, qualification, years of experience and position).
- Make some recommendations and suggestions to increase the effectiveness of incentives in developing employees' loyalty at the company in question.

### **3.4 Research Hypotheses:**

#### **Main hypothesis 1**

H1: There is a positive significant impact for incentives, on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at a private company in the Kingdom of Bahrain.

#### **Main hypothesis 2**

H1: There are positive significant differences relating to the impact of incentives on the employees' loyalty (emotional loyalty, normative loyalty and constant loyalty) at a private company in the Kingdom of Bahrain due to the demographics (gender, age, qualification, years of experience and position).

## Research Framework

Figure 1 below illustrates the research framework and shows the variables of the research

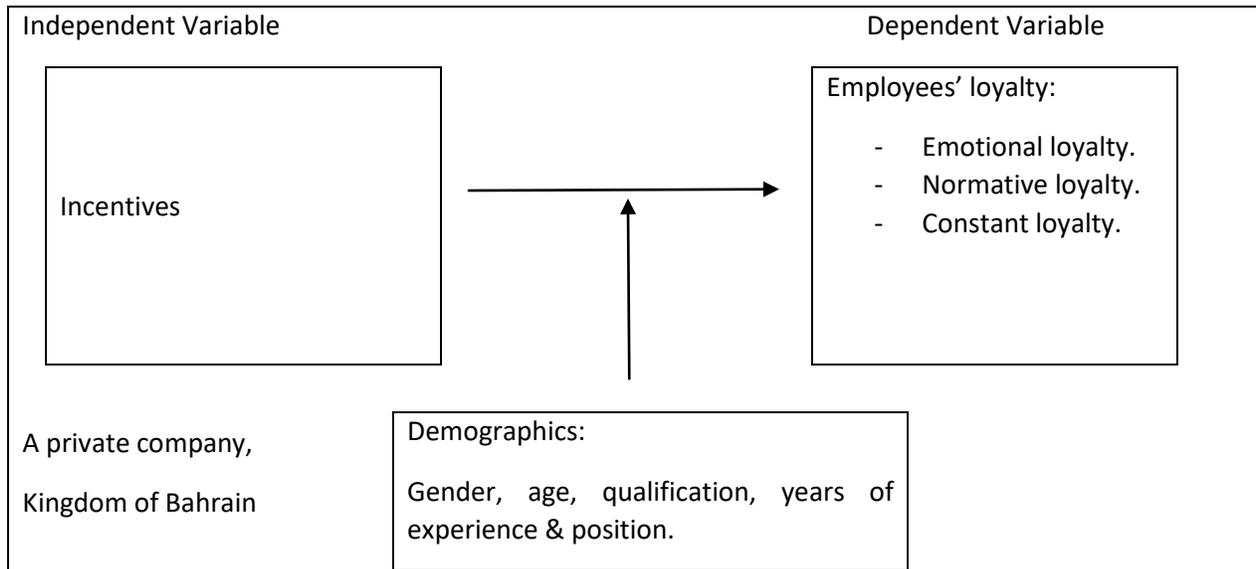


Figure 1 (Illustration of the research framework)

### Data Collection

A five-point Likert scale was used to collect questionnaire survey as follows:

5	4	3	2	1
Strongly agree	Agree	Neutral	Disagree	Strongly disagree

The researchers selected a simple random sample (n=110) of employees at a private company in the Kingdom of Bahrain. The sample provided information through filling survey questionnaire, which is considered as the core of data for this research. Hence, 110 questionnaires were circulated, 106 were collected, three of them were incomplete and discarded. A hundred and three were considered with a response of 94%.

## 4 Research Findings and results:

### 4.1 Pearson correlation co-efficient

Table (1) below shows that all correlations co-efficient are significant at the level of (0.01) which indicates the validity of the scale.

Table 1 Pearson correlation co-efficient

Statement	Correlation Co-efficient	Statement	Correlation Co-efficient	Statement	Correlation Co-efficient
1	0.418	10	0.511	19	0.567
2	0.414	11	0.546	20	0.649
3	0.518	12	0.419	21	0.621

<b>4</b>	0.511	<b>13</b>	0.437	<b>22</b>	0.437
<b>5</b>	0.567	<b>14</b>	0.652	<b>23</b>	0.650
<b>6</b>	0.533	<b>15</b>	0.387	<b>24</b>	0.649
<b>7</b>	0.724	<b>16</b>	0.399	<b>25</b>	0.621
<b>8</b>	0.546	<b>17</b>	0.652		
<b>9</b>	0.471	<b>18</b>	0.725		

#### 4.2 Reliability

The data were analyzed using SPSS and statistical results of Cronbach Alpha are as follows:

Table 2 Cronbach's Alpha

Reliability	
Dimensions	Cronbach's Alpha
Incentives	0.907
Employees' loyalty: Emotional loyalty (0.878) ▪ Normative loyalty (0.886) ▪ Constant loyalty (0.852)	0.872
<b>Total</b>	<b>0.889</b>

Table (2) indicates that the Cronbach's Alpha is (0.889). This result indicates a high level of internal consistency for the research questionnaire.

#### 4.3 Analysis of the demographic variables of the research

##### 4.3.1 Gender Variable

Table 3 Distribution of the research sample according to gender

Variable	Number	Percentage
Males	58	56%
Females	45	44%
<b>Total</b>	<b>103</b>	<b>100%</b>

It is clear from the analysis of the research sample by gender (table 3) that the ratio of males (56%) is higher than the ratio of females (44%).

### 4.3.2 Age variable

**Table 4 Distribution of the research sample according to age**

Variable	Number	Percentage
25 and less than 30 years	35	34%
30 and less than 40 years	44	43%
40 and less than 50 years	13	12%
50 years and above	11	11%
<b>Total</b>	<b>103</b>	<b>100%</b>

It can be seen from table (4) that there is a difference between the number of age groups of employees and the largest group was on (30 and less than 40 years) by (43%) of the total research sample, and the lowest number for the age groups was (50 years and above) by (11%) which explains that the company depends on employees belonging of middle age and not elderly.

### 4.3.3 Qualification variable

**Table 5 Distribution of the research sample according to qualification**

Variable	Number	Percentage
High school and less	10	9.7%
Diploma	21	20.3%
Bachelor	54	52.4%
Post studies	18	17.6%
<b>Total</b>	<b>103</b>	<b>100%</b>

Table (5) indicates that the largest percentage hold a Bachelor's degree by (52.4%) followed by holders of Diploma (20.3%), Post studies (17.6%), and holders of High school qualification (9.7%).

### 4.3.4 Years of experience variable

**Table 6 Distribution of the research sample according to years of experience**

Variable	Number	Percentage
Less than 5 years	14	13.6%
5 – 10 years	52	50.5%
11 – 15 years	16	15.5%
15 years and above	21	20.4%
<b>Total</b>	<b>103</b>	<b>100%</b>

Table (6) reveals that the staff with years of experience (5-10 years) were the highest with a percentage of (50.5%) followed by those of (15 years and above) with a percentage of (20.4%), then those of (11-15 years) with a percentage of (15.5%), and finally (less than 5 years) with a percentage of (13.6%).

#### 4.3.5 Position variable

**Table 7 Distribution of the research sample according to position**

Variable	Number	Percentage
Head of department	16	15.5%
Supervisor	11	10.7%
Specialist	34	33%
Employee	42	40.8%
<b>Total</b>	<b>103</b>	<b>100%</b>

Table (7) shows that the vast majority of the research sample were employees with a percentage of (40.8%), followed by the specialists with a percentage of (33%), then the heads of the departments with a percentage of (15.5%), and finally the supervisors with a percentage of (10.7%).

#### 4.4 Analysis of answers to the questionnaire variable

**4.4.1 Table (8) Analysis of answers to the questionnaire variable (Incentives)**

Sr.	Statement	Mean	Standard Deviation	Ranking	Mean Interpretation
1	The organization grants bonuses to the basic salary.	3.04	1.01	9	Neutral
2	The organization distributes a percentage of the profits to the employees.	3.01	1.06	10	Neutral
3	My work provides me with a salary commensurate with my qualifications.	4.08	0.76	3	Agree
4	The organization gives good reward to employees at the end of service.	4.06	0.94	4	Agree
5	The powers granted to me are sufficient and help me to do the work assigned to me.	3.68	0.74	5	Agree
6	The organization provides the benefit of health insurance.	4.09	1.20	2	Agree
7	I have the opportunity to participate in making decisions about my work.	3.32	1.06	7	Neutral
8	My bosses treat me with respect.	4.16	1.21	1	Agree
9	I feel the importance of the work I do.	3.48	0.97	6	Neutral
10	I have suitable opportunities to participate in the development of plans in the organization.	3.26	0.83	8	Neutral
<b>Total</b>		<b>3.62</b>			<b>Agree</b>

Results presented in table (8) show that the general average of the variable (Incentives) reached (3.62), which shows that the opinions of the research sample were moderate of this dimension.

#### 4.4.2 Analysis of answers to the questionnaire variable

Table (9) Analysis of the research sample answers to the questionnaire variable (Employees' loyalty, emotional loyalty dimension)

Sr.	Statement	Mean	Standard Deviation	Ranking	Mean Interpretation
1	I feel proud when I talk to others about the organization I work for.	3.99	0.75	3	Agree
2	I have the desire to spend the remainder of my career in the organization I work for.	3.96	0.64	4	Agree
3	I care a lot about the future of the organization I work for.	4.04	0.64	1	Agree
4	I consider the success of the organization I work for as a personal success for me.	3.94	0.81	5	Agree
5	I feel emotionally attached to the organization I work for.	4.01	0.66	2	Agree
<b>Total</b>		<b>3.99</b>			<b>Agree</b>

Results displayed in table (9) show that the general average of the variable (Employees' loyalty, emotional loyalty dimension) reached (3.99), which shows the opinions of the research sample were high on this dimension.

Table 10 Analysis of the research sample answers to the questionnaire variable (employees' loyalty, normative loyalty dimension)

Sr.	Statement	Mean	Standard Deviation	Ranking	Mean Interpretation
1	I see that my values and goals are consistent with the values and goals of the organization I work for.	4.05	0.64	3	Agree
2	I am willing to put in more effort for the success of the organization I work for.	4.19	0.66	1	Agree
3	It is better for people to spend their careers in one organization.	3.83	0.80	5	Agree
4	I am ready to accept any job in the organization I work for in order to keep my work in it.	3.98	0.87	4	Agree
5	I keep the property of the organization I work for as it were my personal property.	4.07	0.90	2	Agree
<b>Total</b>		<b>4.02</b>			<b>Agree</b>

Results presented in table (10) show that the general average of the variable (employees' loyalty, normative loyalty dimension) reached (4.02), which shows that the opinions of the research sample were high on this dimension.

Table 11 Analysis of the research sample answers to the questionnaire variable (employees' loyalty, constant loyalty dimension)

Sr.	Statement	Mean	Standard Deviation	Ranking	Mean Interpretation
1	I will not leave the organization I work for, even if there are job opportunities that pay more than my salary.	3.96	0.78	4	Agree
2	I would like to stay and continue working in the organization I work for.	3.94	0.57	5	Agree
3	My choice to work in the organization I work for was a right choice.	4.10	0.72	2	Agree
4	I have no future preparation to leave the organization I work for.	4.22	0.71	1	Agree
5	Although there are job opportunities for me outside the organization I work for, I prefer to stay there for the rest of my career.	3.99	0.83	3	Agree
<b>Total</b>		<b>4.04</b>			<b>Agree</b>

Table (11) reveals that the general average of the variable (employees' loyalty, constant loyalty dimension), reached (4.04), which shows that the opinions of the research sample were high on this dimension.

#### 4.5 Testing results hypotheses

To make sure that the main hypothesis (1) is correct, "There is a positive significant impact for incentives, on the employees' loyalty (emotional, normative and constant loyalty) at a private company in the Kingdom of Bahrain", linear regression analysis were used where the results show the following:

Table 12 Linear regression analysis (Emotional loyalty)

Model F	Adjusted R <sup>2</sup>	Beta	P – Value (Beta)
15.309	0.112	0.264	0.00

Table 13 Linear regression analysis (Normative loyalty)

Model F	Adjusted R <sup>2</sup>	Beta	P – Value (Beta)
24.590	0.051	0.317	0.00

Table 14 Linear regression analysis (Constant loyalty)

Model F	Adjusted R <sup>2</sup>	Beta	P – Value (Beta)
11.764	0.301	0.230	0.011

According to the results presented above in tables (12,13,14), the main hypothesis (1) is accepted. In addition, results of the main hypothesis (2), "There are positive significant differences relating to the impact of incentives on employees' loyalty (emotional, normative and constant loyalty) at a private company in the Kingdom of Bahrain due to the demographics (gender, age, qualification, years of experience and position), showed that there were no statistically significant differences at the level of

(0.05) relating to demographics (gender, qualification, years of experience and position). Only there was a significant impact due to the demographic (age).

## 5 CONCLUDING COMMENTS

The existence of a positive and statistically significant impact for the incentives on the employees' loyalty (emotional, normative, and constant loyalty) in the company in questions. There were no statistically significant differences, relating to the impact of incentives on employees' loyalty (emotional, normative, and constant loyalty) at due to the demographics (gender, qualification, years of experience and position). Only there was a significant impact due to the demographics (age).

### **In light of conclusions formulated, the following recommendations were proposed:**

The necessity of continuing to motivate employees and paying attention to use the different methods of incentives in order to strengthen the employees' loyalty in the company in question. In addition, the need to enhance employees' loyalty by holding different training workshops for clarifying the importance of employees' loyalty in increasing their productivity and satisfaction with their work. In addition, the necessity of involving employees in the decision-making process related to their work in order to enhance their loyalty to work.

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