

**FINANCIAL AND NON-FINANCIAL INCENTIVES AS DRIVERS OF EMPLOYEE
MOTIVATION: A CRITICAL REVIEW OF LITERATURE IN THE IT SECTOR**

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Abstract

Employee motivation is a pivotal factor influencing organizational performance, productivity, and retention, particularly in dynamic sectors like information technology (IT). This critical review examines the role of financial and non-financial incentives in shaping motivation among IT employees. Financial incentives, including salaries, performance-based bonuses, profit-sharing, and commission-based pay, provide tangible rewards that drive extrinsic motivation. Non-financial incentives, such as recognition, career development opportunities, flexible work arrangements, and supportive work environments, foster intrinsic motivation, engagement, and job satisfaction. The literature highlights that a holistic approach combining both incentive types, supported by effective leadership and a positive organizational culture, enhances employee performance, retention, and adaptability in agile work environments. The study also identifies gaps in IT-specific empirical research, longitudinal analyses, and the direct measurement of incentive impacts on performance outcomes, suggesting avenues for future investigation. The findings underscore the importance of integrated, context-sensitive incentive strategies for sustaining motivation and organizational competitiveness in the IT sector.

Keywords

Employee Motivation, Financial Incentives, Non-Financial Incentives, IT Sector, Organizational Performance

1. Introduction

Employee motivation is a pivotal determinant of organizational success, significantly influencing performance, productivity, and retention, particularly in dynamic and rapidly evolving sectors such as information technology (IT). In an industry characterized by constant technological advancement, high skill requirements, and intense competition, motivating employees is not only a managerial concern but a strategic imperative. Both financial incentives, including salaries, performance-based bonuses, profit-sharing, and other monetary rewards, and non-financial incentives, such as career development opportunities, professional recognition, flexible work arrangements, and supportive organizational culture, play a critical role in shaping employee motivation.



Fig: Conceptual Diagram: Incentives and Employee Motivation
Source: Own processing

Financial incentives provide tangible rewards that reinforce performance, accountability, and goal achievement, while non-financial incentives address intrinsic motivational needs, fostering engagement, loyalty, and job satisfaction. In the IT sector, where innovation, problem-solving, and adaptability are essential, understanding the interplay between these incentive types is vital for designing effective human resource strategies that maximize employee potential and organizational competitiveness. Research consistently suggests that a holistic approach combining financial and non-financial incentives is more effective in sustaining long-term motivation and performance than reliance on monetary rewards alone, highlighting the need for integrated incentive systems that balance extrinsic rewards with opportunities for personal and professional growth.

1.1 Background of the Study

Employee motivation is a key driver of organizational performance, productivity, and retention, especially in dynamic and skill-intensive sectors such as IT. Motivation is influenced by both financial and non-financial incentives. Financial incentives, including salaries, bonuses, and performance-based rewards, provide tangible recognition of employees' contributions, encouraging higher effort and performance. Non-financial incentives, such as a supportive work environment, opportunities for career growth, recognition, and employee engagement, address intrinsic motivational needs and enhance job satisfaction. Studies like Okoye and Ghapar (2024) show that combining financial rewards with a positive work environment significantly improves employee motivation, indicating that a holistic approach to incentives is more effective than relying solely on monetary compensation.

Furthermore, motivated employees are more likely to be engaged and involved in their work, which directly impacts organizational outcomes. Govender and Parumasur (2020) found that higher levels of motivation correlate with increased job involvement, while Nguyen and Ha (2023) highlighted the importance of internal communication, employee engagement, and job satisfaction in fostering loyalty and commitment. In the IT sector, where innovation, adaptability, and skilled performance are crucial,

understanding how financial and non-financial incentives interact is essential for designing effective motivation strategies. Such insights can help organizations optimize employee performance, enhance retention, and maintain a competitive edge in a rapidly evolving industry.

1.2 Significance of the Study

The study on the role of financial and non-financial incentives in motivating IT sector employees is significant for both academic and practical reasons. From an academic perspective, research by Alnajem and Al-sudani (2024) highlights that combining financial and non-financial incentives can substantially enhance employee performance, demonstrating that motivation is not solely dependent on monetary rewards. Similarly, Al-Aqraa (2020) emphasizes the importance of integrating organizational tools, such as electronic management, to improve job performance, suggesting that structured support and efficient systems can serve as non-financial motivators.

Practically, understanding how different types of incentives influence employee motivation helps IT organizations design more effective human resource strategies. By addressing both extrinsic and intrinsic motivational needs, companies can enhance employee satisfaction, productivity, and retention. The findings can inform HR policies, incentive programs, and management practices, ensuring that investments in employee rewards yield measurable improvements in performance and engagement. Furthermore, insights from this study can guide IT organizations in creating a supportive work environment that nurtures innovation, collaboration, and long-term organizational growth.

1.3 Objectives of the Study

The main objectives of this study are:

1. To examine the impact of financial incentives on employee motivation in the IT sector.
2. To analyze the role of non-financial incentives, such as recognition, career growth opportunities, and supportive work environments, in motivating employees.
3. To investigate the combined effect of financial and non-financial incentives on employee performance and organizational outcomes.
4. To provide recommendations for IT organizations on designing effective incentive strategies that enhance employee satisfaction, engagement, and retention.

1.4 Scope and Limitations

The scope of this study centers on employees in the IT sector, with a focus on understanding how both financial and non-financial incentives influence motivation, job performance, and overall organizational outcomes. Financial incentives, such as salaries, bonuses, and performance-based rewards, are examined alongside non-financial incentives, including recognition, career development opportunities, flexible work arrangements, and supportive work environments. By integrating insights from prior research in different sectors—such as the role of organizational efficiency in service industries (Al-Amiri, 2022), the comparative effects of monetary and non-monetary incentives (Sittenthaler & Mohnen, 2020), and the mediating influence of intrinsic rewards on employee performance and motivation (Manzoor, Wei, & Asif, 2021; Kumari, Barkat Ali, & Abbas, 2021)—this study seeks to provide a comprehensive understanding of incentive mechanisms that can be adapted for the IT sector.

However, several limitations must be acknowledged. Firstly, the study relies primarily on secondary literature rather than primary empirical data, which may restrict the direct applicability of the findings to specific IT organizations. Secondly, organizational culture, regional differences, and individual employee perceptions of incentives vary widely and are not fully captured in the existing studies reviewed. Thirdly, while the research draws on examples from sectors such as tourism, services, and education, there may be unique challenges and dynamics in IT workplaces—such as agile project management, rapid technological change, and knowledge-intensive work—that require additional empirical investigation. Finally, the study assumes that relationships observed between incentives and motivation in other contexts are broadly transferable to IT employees, which may need further validation through sector-specific research. Despite these limitations, the study provides valuable insights into designing effective incentive strategies that can enhance employee engagement, productivity, and organizational competitiveness in the IT sector.

2. Conceptual Framework

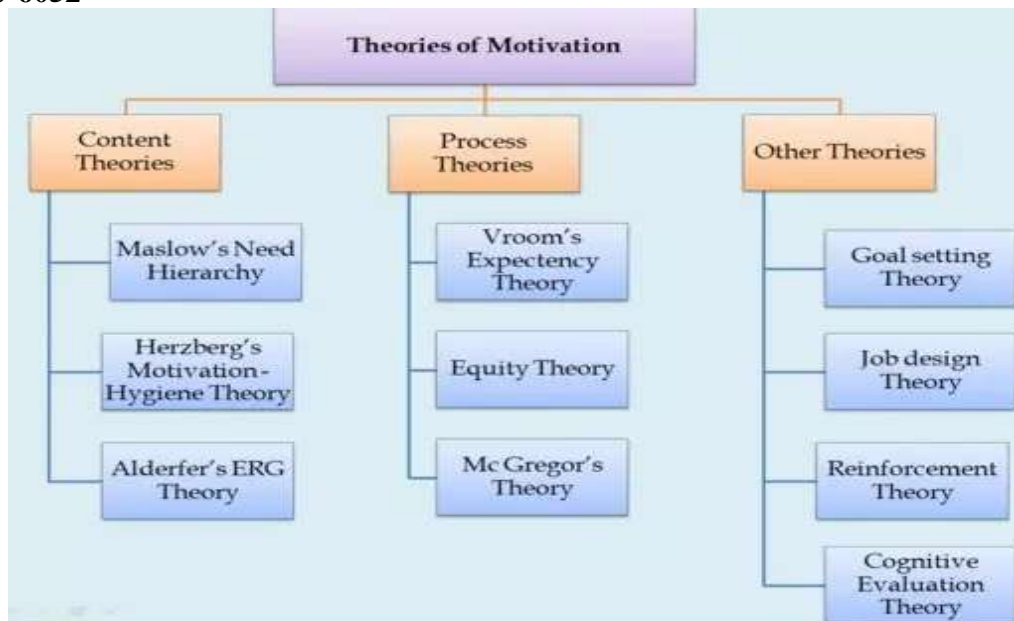
2.1 Motivation: Meaning and Importance

Motivation is a multifaceted concept that drives individuals to initiate, sustain, and direct behavior toward achieving personal and organizational objectives. It is widely recognized as a critical factor influencing productivity, job satisfaction, commitment, and overall organizational performance. In the IT sector, employee motivation assumes particular importance due to the sector's reliance on highly skilled, knowledge-intensive, and innovative work. Employees are required to manage complex tasks, solve problems creatively, collaborate effectively, and adapt quickly to technological changes. Without adequate motivation, organizations may experience reduced efficiency, increased turnover, and diminished innovation.

Veer, Yang, and Riepe (2022) emphasize that motivated employees are more engaged in conscious knowledge transfer, sharing expertise with colleagues and external partners. Such behaviors not only enhance individual performance but also contribute to team effectiveness and organizational competitiveness. In the context of IT organizations, motivated employees tend to display proactive behaviors, greater creativity, and commitment to achieving project objectives, making motivation a critical determinant of organizational success. Moreover, research suggests that motivation is not a static phenomenon; it evolves with changing work demands, personal goals, and organizational contexts, highlighting the need for dynamic and adaptable incentive systems.

2.2 Theories of Motivation

Understanding motivation requires exploring theoretical frameworks that explain why individuals behave in particular ways in the workplace. Several classical and contemporary theories are particularly relevant for the IT sector:



Source: <https://dynamicstudyhub.com/theories-of-motivation/>

- **Maslow's Hierarchy of Needs:** Maslow (1943) proposed that human needs are arranged hierarchically from basic physiological requirements to higher-order needs for self-actualization. In IT workplaces, satisfying lower-order needs such as competitive salaries, safe work environments, and job security is essential. However, higher-order needs such as recognition, personal growth, and opportunities for creativity often become primary drivers of long-term engagement and innovation. IT employees who feel empowered to achieve their professional goals are more likely to contribute effectively to team and organizational performance.
- **Herzberg's Two-Factor Theory:** Herzberg (1959) distinguishes between hygiene factors, which prevent dissatisfaction (e.g., pay, working conditions), and motivators, which drive satisfaction (e.g., achievement, recognition, responsibility). In IT organizations, hygiene factors ensure a baseline of employee satisfaction, while motivators stimulate innovation, collaboration, and intrinsic commitment. For instance, employees who receive recognition for innovative problem-solving or who participate in decision-making processes are more engaged and productive.
- **Vroom's Expectancy Theory:** Vroom (1964) posits that motivation is a function of expectancy (belief that effort leads to performance), instrumentality (belief that performance leads to outcomes), and valence (value of outcomes). In agile IT projects, employees are motivated when they perceive a clear link between their efforts, project success, and tangible or intangible rewards. Malik, Sarwar, and Orr (2021) note that psychological empowerment in agile teams enhances expectancy and valence, leading to higher motivation and performance.
- **Self-Determination Theory (SDT):** SDT emphasizes the importance of autonomy, competence, and relatedness in fostering intrinsic motivation. IT employees who are allowed to make decisions, utilize their skills fully, and collaborate meaningfully experience higher job satisfaction and creativity.

By applying these theories, IT managers can design incentive programs that address both extrinsic and intrinsic needs, aligning individual goals with organizational objectives to enhance engagement, productivity, and innovation.

2.3 Financial Incentives

Financial incentives are tangible, monetary rewards provided to employees to recognize their contributions and achievements. They serve as extrinsic motivators by establishing a direct link between effort, performance, and reward. Financial incentives are widely used in IT organizations to attract and retain top talent and to encourage high-quality performance. Common types include:

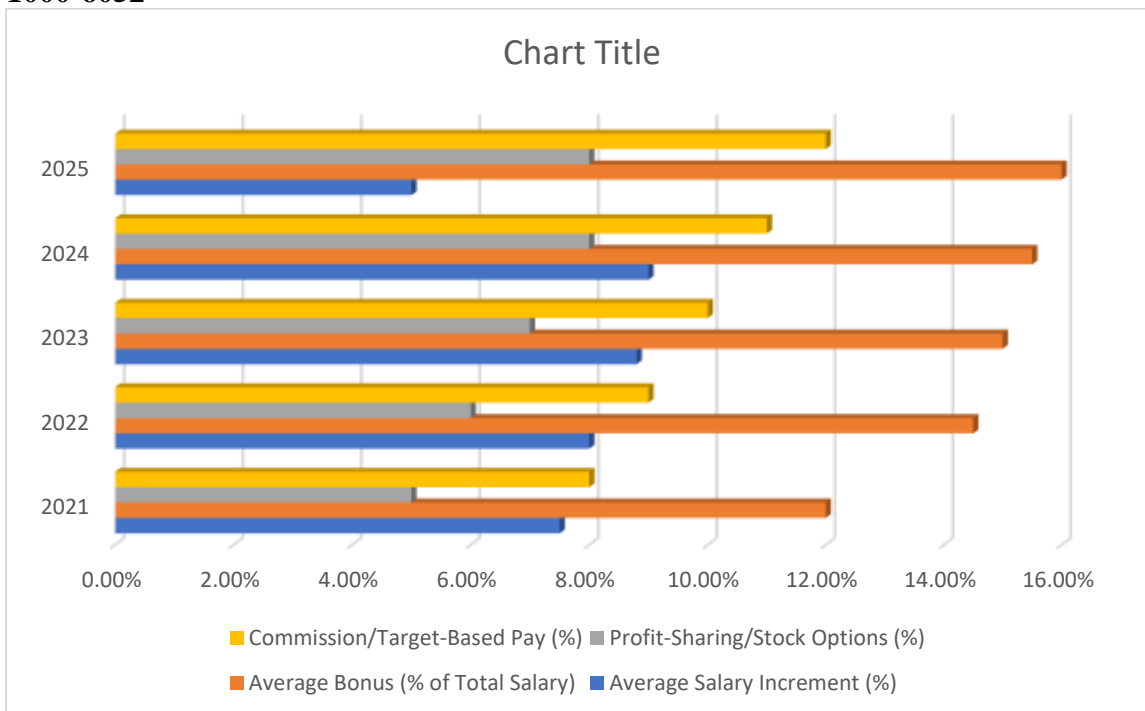
1. **Base Salary:** A fixed compensation for performing core job responsibilities, providing financial stability.
2. **Performance-Based Bonuses:** Rewards linked to achieving individual, team, or organizational targets.
3. **Profit Sharing or Stock Options:** Long-term incentives that align employee interests with company success.
4. **Commission or Target-Based Pay:** Rewards tied to achieving specific measurable outcomes, often in sales or project-based roles.

Financial incentives are effective in motivating short-term performance and ensuring accountability. Trzeciak (2020) notes that in agile IT projects, financial incentives can encourage employees to meet deadlines, adhere to quality standards, and contribute actively to project goals. However, relying solely on financial incentives may not sustain long-term motivation, particularly in knowledge-driven and creative environments, where intrinsic satisfaction and personal growth play a significant role. Therefore, combining financial rewards with non-financial incentives is critical for fostering sustained engagement and high performance.

Table: Financial incentives and related metrics for IT sector employees in India over the last few years

Year	Average Salary Increment (%)	Average Bonus (% of Total Salary)	Profit-Sharing/Stock Options (%)	Commission/Target-Based Pay (%)
2021	7.5%	12%	5%	8%
2022	8.0%	14.5%	6%	9%
2023	8.8%	15%	7%	10%
2024	9.0%	15.5%	8%	11%
2025	5.0%	16%	8%	12%

Graph: Financial incentives and related metrics for IT sector employees in India over the last few years



From 2021 to 2025, financial incentives in the IT sector generally increased, with salary increments rising from 7.5% to 9% before dropping to 5%, and bonuses growing steadily from 12% to 16%. Profit-sharing and stock options rose from 5% to 8%, while commission-based pay increased from 8% to 12%, showing that organizations are increasingly using diverse financial rewards to motivate and retain employees.

2.4 Non-Financial Incentives

Non-financial incentives, also referred to as intrinsic motivators, enhance employees’ job satisfaction, engagement, and psychological well-being without direct monetary compensation. These incentives are particularly significant in IT organizations, where creativity, knowledge sharing, and problem-solving are essential. Non-financial incentives include:

1. **Recognition and Appreciation:** Acknowledging employee contributions and innovative efforts reinforces motivation and commitment.
2. **Career Development and Growth Opportunities:** Providing training, mentoring, promotions, and skill development programs helps employees achieve personal and professional goals.
3. **Work-Life Balance and Flexibility:** Flexible working hours, remote work options, and supportive policies reduce stress and enhance productivity.
4. **Supportive Work Environment:** Encouraging autonomy, collaboration, open communication, and participation in decision-making fosters engagement and empowerment.
5. **Psychological Empowerment:** Assigning responsibility, decision-making authority, and opportunities for creative input enhances intrinsic motivation and satisfaction.

Malik, Sarwar, and Orr (2021) demonstrate that psychological empowerment in agile IT teams improves motivation, performance, and satisfaction. Additionally, studies on open innovation (Bigliardi et al., 2020; Heras-Rosas & Herrera, 2021) highlight the importance of a collaborative and supportive environment, where knowledge sharing, learning, and creative problem-solving are rewarded and

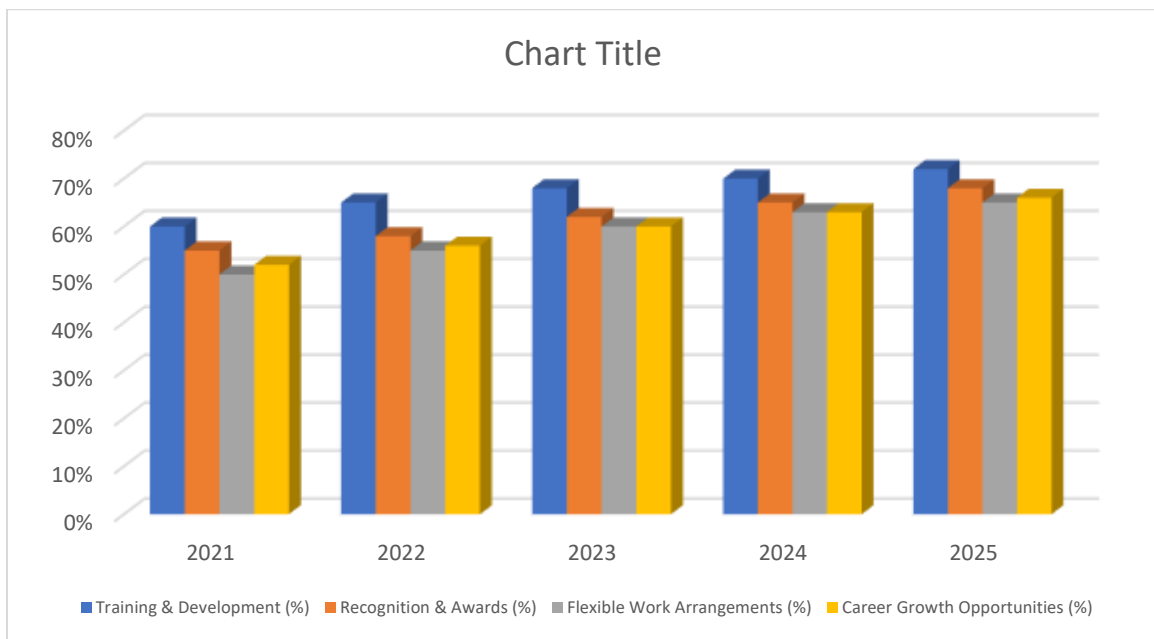
encouraged. These non-financial incentives strengthen employees’ intrinsic drive, complementing financial incentives to create a comprehensive motivation strategy.

Ultimately, integrating both financial and non-financial incentives enables IT organizations to address employees’ diverse motivational needs, resulting in higher engagement, increased productivity, better retention, and enhanced organizational competitiveness.

Table: Non-Financial Incentives

Year	Training & Development (%)	Recognition & Awards (%)	Flexible Work Arrangements (%)	Career Growth Opportunities (%)
2021	60%	55%	50%	52%
2022	65%	58%	55%	56%
2023	68%	62%	60%	60%
2024	70%	65%	63%	63%
2025	72%	68%	65%	66%

Graph: Non-Financial Incentives



The data shows a steady increase in the use of non-financial incentives from 2021 to 2025. Training and development programs grew from 60% to 72%, recognition and awards from 55% to 68%, flexible work arrangements from 50% to 65%, and career growth opportunities from 52% to 66%. This indicates that IT organizations are increasingly focusing on intrinsic motivators, enhancing employee engagement, satisfaction, and long-term retention alongside financial rewards.

3. Review of Literature

Sr. No	Author(s) & Year	Aim of the Study	Objectives	Scope	Findings
1	Al-Amiri, S. A. S. (2022)	Examine organizational efficiency's impact on customer satisfaction	1. Analyze efficiency in tourism companies 2. Identify factors affecting customer satisfaction	Tourism companies in Baghdad	Organizational efficiency positively influences customer satisfaction
2	Al-Aqraa, N. T. (2020)	Investigate role of electronic management on job performance	1. Assess adoption of electronic management 2. Measure effect on job performance	Government institutions in Qalqilya Governorate	Electronic management improves job performance
3	Alnajem, A. A. Q. I., & Al-sudani, M. R. F. (2024)	Study effect of financial and non-financial incentives on employee performance	1. Compare financial vs non-financial incentives 2. Assess impact on performance	Private colleges in Baghdad	Both incentive types improve performance; non-financial more motivational
4	Bigliardi, B., Ferraro, G., Filippelli, S., & Galati, F. (2020)	Review evolution and future of open innovation	1. Analyze trends 2. Identify future directions	Global organizations	Open innovation increasingly collaborative; universities key in innovation
5	Doblinger, M. (2022)	Identify competencies for self-managing team performance	1. Review self-managed team literature 2. Identify key competencies	Teams across industries	Communication, adaptability, leadership critical for team performance
6	Govender, S., & Parumasur, S. B. (2020)	Examine relationship between motivation and job involvement	1. Assess motivation levels 2. Study job involvement correlation	Employees in South Africa	Higher motivation strongly correlates with higher job involvement
7	Heras-Rosas, C. D. L., & Herrera, J. (2021)	Analyze research trends in open innovation and university role	1. Map research trends 2. Examine universities' role	Global higher education & research	Universities play a central role in driving open innovation
8	Hysa, E., Kruja, A., Rehman, N. U., &	Investigate link between circular economy innovation,	1. Model circular economy impact	Organizations adopting circular	Circular economy and sustainability positively affect economic growth

	Laurenti, R. (2020)	sustainability, and growth	2. Assess sustainability effects on economic growth	economy practices	
9	Khan, R. A., et al. (2021)	Study motivators in adopting agile development in large teams	1. Identify motivators 2. Analyze adoption challenges	Large-scale IT development teams	Motivators influence adoption; management support critical
10	Kumari, K., Barkat Ali, S., & Abbas, J. (2021)	Examine motivation and reward impact on job performance	1. Assess motivational strategies 2. Study job satisfaction as mediator	Employees in various organizations	Motivation and rewards improve performance via job satisfaction
11	Malik, M., Sarwar, S., & Orr, S. (2021)	Investigate agile practices and psychological empowerment impact	1. Study agile adoption 2. Measure psychological empowerment effects	IT projects using agile	Agile practices improve performance; empowerment mediates outcomes
12	Manzoor, F., Wei, L., & Asif, M. (2021)	Study intrinsic rewards' impact on employee performance	1. Assess intrinsic rewards 2. Evaluate motivation mediation	Employees in various sectors	Intrinsic rewards enhance performance through motivation
13	Marnada, P., et al. (2022)	Review challenges in agile project management	1. Identify challenges in scope and change 2. Analyze agile solutions	Agile-managed IT projects	Managing scope and change remains key challenge in agile projects
14	Mkoba, E. S., & Marnewick, C. (2022)	Examine organizational culture influence on agile adoption	1. Identify cultural attributes 2. Link to agile adoption	Organizations implementing agile	Culture affects adoption; supportive culture improves success
15	Neto, J. D. S. A., et al. (2022)	Review leadership importance in agile projects	1. Map leadership practices 2. Analyze impact on project outcomes	Agile project teams	Leadership critical for agile success; influences collaboration and outcomes
16	Nguyen, C. M. A., & Ha, M. T. (2023)	Study relationship between communication,	1. Examine internal communication	Higher education	Effective communication enhances

		engagement, satisfaction, loyalty	2. Assess engagement and loyalty links	institutions in Vietnam	engagement, satisfaction, and loyalty
17	Okoye, S. O., & Ghapar, F. A. (2024)	Investigate financial incentives and work environment on motivation	1. Study impact of financial incentives 2. Assess work environment effect	Employees of Paradise Estate Management Company	Both financial incentives and supportive environment boost motivation
18	Sittenthaler, H. M., & Mohnen, A. (2020)	Examine monetary, non-monetary, mixed incentives' effect on performance	1. Compare incentive types 2. Assess gender effects	Employees across organizations	Mixed incentives effective; gender differences observed in response
19	Trzeciak, M. (2020)	Identify key risk factors in IT projects using agile	1. Review agile project risks 2. Propose mitigation strategies	IT projects managed with agile	Risk factors include scope, time, and communication; proper planning essential
20	Veer, T., Yang, P., & Riepe, J. (2022)	Explore ventures' knowledge transfer to partners	1. Analyze knowledge transfer frameworks 2. Study performance effects	Business ventures and partners	Knowledge transfer improves performance; complementarity and broadcasting critical

3.1 Research Gap

Despite extensive research on employee motivation and incentives, there remains a noticeable gap in studies that focus specifically on the IT sector, which has distinct work dynamics, project structures, and skill requirements. Most existing literature emphasizes financial incentives, while the role of non-financial incentives—such as recognition, career growth opportunities, flexible work arrangements, and supportive work environments—has received comparatively less attention, particularly in combination with financial rewards. Additionally, many studies overlook the contextual and cultural differences that influence how employees perceive and respond to incentives across organizations and regions. Motivation in the IT sector is also dynamic, shaped by rapid technological changes and agile work practices, yet most research treats it as static. Finally, there is limited empirical evidence linking different types of incentives directly to measurable performance outcomes, leaving a gap in understanding how incentive strategies can be optimized to enhance both employee motivation and organizational performance.

4. Discussion

4.1 Analysis of Key Findings from Literature

The literature reviewed indicates that both financial and non-financial incentives play a significant role in enhancing employee motivation, performance, and engagement. Studies such as Hysa, Kruja, Rehman, and Laurenti (2020) highlight that sustainable organizational practices, including recognition and innovation-driven incentives, positively influence employees' intrinsic motivation and long-term engagement. In IT environments, where innovation and adaptability are critical, non-financial incentives such as knowledge-sharing opportunities, professional development, and empowerment have a direct impact on performance outcomes.

Organizational culture is another key determinant of motivation. Mkoba and Marnewick (2022) emphasize that a culture that supports collaboration, open communication, and agile practices enables employees to feel valued and empowered. This aligns with findings from agile project literature, which show that team-oriented cultures enhance employee engagement, adaptability, and project success.

Leadership practices also strongly influence how incentives are perceived and utilized. Neto, Penha, da Silva, and Scafuto (2022) found that leadership that emphasizes recognition, empowerment, and fair reward distribution can significantly enhance employee motivation and commitment. Leaders who effectively communicate expectations, provide guidance, and foster a participative environment create conditions where both financial and non-financial incentives can achieve their intended motivational effects.

Overall, the key findings suggest that effective incentive strategies are multi-dimensional, combining monetary rewards with intrinsic motivators, supported by a conducive organizational culture and strong leadership practices.

4.2 Implications for IT Organizations

The findings from the literature have several practical implications for IT organizations:

1. **Designing Balanced Incentive Programs:** IT organizations should adopt a mix of financial and non-financial incentives to address both extrinsic and intrinsic motivational drivers. Financial rewards, such as performance bonuses and stock options, should be complemented with recognition, skill development opportunities, and autonomy in task execution.
2. **Fostering a Supportive Culture:** A culture that values collaboration, knowledge sharing, and innovation (Mkoba & Marnewick, 2022) is critical for sustaining employee motivation. IT organizations should emphasize team cohesion, open communication, and empowerment to enhance engagement and performance.
3. **Leadership Engagement:** Leaders play a crucial role in translating incentive strategies into actionable motivation. Effective leadership that provides guidance, acknowledges achievements, and ensures fair treatment (Neto et al., 2022) can maximize the impact of incentive programs.
4. **Sustainability and Long-Term Performance:** Incorporating sustainable practices and innovation-focused incentives (Hysa et al., 2020) can improve employees' intrinsic motivation, fostering long-term engagement and organizational competitiveness.
5. **Agile and Dynamic Work Environments:** In IT organizations adopting agile methods, incentive programs should support flexibility, collaboration, and iterative learning to enhance employee satisfaction and adaptability.

4.3 Challenges in Implementing Incentive Programs

Despite their benefits, implementing effective incentive programs in IT organizations presents several challenges:

1. **Balancing Financial and Non-Financial Incentives:** Determining the right mix of monetary and non-monetary rewards can be difficult. Overemphasis on financial incentives may undermine intrinsic motivation, while inadequate financial rewards may fail to attract and retain talent.
2. **Organizational Culture Constraints:** In organizations with rigid hierarchies or low trust, non-financial incentives such as empowerment or recognition may not be fully effective (Mkoba & Marnewick, 2022). Changing entrenched cultural norms requires time and strategic leadership commitment.
3. **Leadership and Management Gaps:** Poor communication, lack of transparency, or inconsistent recognition can limit the effectiveness of incentive programs (Neto et al., 2022). Leaders must be trained to apply incentive strategies fairly and consistently.
4. **Dynamic and Agile Work Environments:** Rapid technological changes and agile project structures can make it difficult to link incentives directly to performance outcomes (Hysa et al., 2020). Organizations must continuously adapt their incentive programs to remain relevant and effective.
5. **Measurement of Impact:** Assessing the real impact of financial and non-financial incentives on motivation, engagement, and productivity is complex. Organizations may lack appropriate performance metrics or employee feedback mechanisms to evaluate effectiveness.

In conclusion, while incentive programs have a strong potential to enhance IT employee motivation, careful design, supportive culture, engaged leadership, and continuous evaluation are essential for achieving desired outcomes.

5. Conclusion

5.1 Summary of Findings

This critical review of literature highlights the multifaceted role of financial and non-financial incentives in motivating IT sector employees. Key findings indicate that:

1. **Financial Incentives** such as salaries, bonuses, profit sharing, and performance-based pay remain essential for attracting and retaining talent, particularly in competitive IT markets. However, their impact on long-term motivation is limited if not combined with intrinsic motivators.
2. **Non-Financial Incentives**—including recognition, career growth opportunities, flexible work arrangements, and supportive work environments—play a significant role in enhancing intrinsic motivation, job satisfaction, and employee engagement. Studies by Doblinger (2022) and Khan et al. (2021) emphasize that these incentives are especially effective in agile IT environments, where autonomy, collaboration, and self-management are critical.
3. **Organizational Culture and Leadership** are critical enablers. A culture that fosters collaboration, knowledge sharing, and innovation, supported by empowering and communicative leadership, significantly enhances the effectiveness of both financial and non-financial incentives.
4. **Challenges in Agile Environments:** Managing scope, change, and team dynamics in agile projects poses challenges for linking incentives to performance (Marnada et al., 2022). Agile methodologies require adaptive and flexible incentive strategies that accommodate dynamic project structures and iterative work processes.
5. **Integration of Incentives:** The most effective motivation strategies in IT organizations combine financial and non-financial incentives, supported by leadership engagement, organizational culture, and agile-compatible practices. Employees are more motivated when rewards align with both extrinsic goals (e.g., compensation) and intrinsic drivers (e.g., empowerment, recognition, learning).

Overall, the literature suggests that a holistic and context-sensitive approach to incentives is essential for enhancing IT employee motivation, productivity, and retention.

5.2 Recommendations for Future Research

Despite extensive research, several gaps remain that future studies should address:

1. **Sector-Specific Empirical Studies:** While much literature draws from diverse industries, few studies focus specifically on IT organizations. Future research should empirically examine the unique motivational dynamics in IT teams, particularly in agile and hybrid work environments.
2. **Longitudinal Analysis:** Motivation is dynamic, especially in knowledge-intensive sectors. Longitudinal studies could explore how the effectiveness of financial and non-financial incentives evolves over time and across different stages of employee tenure and project life cycles.
3. **Integration with Agile Practices:** Given the prevalence of agile methodologies, future research should investigate how incentive strategies can be tailored to support iterative project management, team autonomy, and self-managing competencies (Marnada et al., 2022; Khan et al., 2021; Doblinger, 2022).
4. **Cross-Cultural and Regional Differences:** Employees' responses to incentives vary across cultural and regional contexts. Comparative studies could provide insights into designing globally effective incentive programs for multinational IT organizations.
5. **Linking Incentives to Measurable Performance Outcomes:** Further research is needed to quantify the direct impact of combined financial and non-financial incentives on measurable outcomes such as productivity, innovation, retention, and employee well-being.
6. **Technology-Enabled Incentives:** With remote work, digital collaboration, and performance monitoring tools becoming prevalent, future studies could explore how technology-mediated incentives influence employee motivation and engagement.

By addressing these gaps, future research can provide IT organizations with actionable insights to design effective, adaptive, and evidence-based incentive strategies that sustain motivation and optimize performance.

5.3 Future Scope

The findings from this study indicate several avenues for future research and practical applications in the IT sector:

1. **Sector-Specific Empirical Validation:** While this study critically reviewed literature across multiple industries, there is a need for primary research focusing specifically on IT organizations. Future studies can investigate how financial and non-financial incentives interact in diverse IT settings, including startups, MNCs, and remote/hybrid teams.
2. **Longitudinal and Dynamic Analysis:** Motivation is not static, especially in agile and rapidly evolving IT environments. Future research could examine how incentives influence employee motivation and performance over time, considering career progression, project cycles, and technological changes.
3. **Integration with Agile Methodologies:** Agile projects present unique challenges, such as scope changes, self-managing teams, and rapid iterations. Investigating incentive strategies tailored to agile frameworks, and their effects on team cohesion, productivity, and innovation, can provide valuable insights (Marnada et al., 2022; Khan et al., 2021; Doblinger, 2022).
4. **Cross-Cultural and Regional Studies:** Employee perceptions and responses to incentives can differ across cultures and regions. Comparative studies can help IT organizations design culturally sensitive and globally effective motivation strategies.

5. **Technology-Enabled Incentives:** With the rise of remote work, digital collaboration tools, and performance tracking software, future research can explore the impact of technology-mediated incentives, gamification, and virtual recognition programs on employee engagement and productivity.
6. **Linking Incentives to Organizational Outcomes:** Further studies could focus on measuring how combined financial and non-financial incentives affect tangible organizational outcomes, such as innovation, knowledge transfer, customer satisfaction, and long-term retention.

5.4 Conclusion

This critical review highlights the significant role of financial and non-financial incentives in motivating IT sector employees. Financial incentives, such as salaries, performance bonuses, and profit-sharing schemes, provide tangible rewards that attract and retain skilled talent. Non-financial incentives, including recognition, career development, flexible work arrangements, and psychological empowerment, play a crucial role in fostering intrinsic motivation, job satisfaction, and engagement.

The literature indicates that the most effective motivational strategies are holistic, combining both incentive types and supported by a conducive organizational culture and effective leadership. Agile project environments further underscore the importance of adaptive and flexible incentive structures that align with dynamic work processes, team autonomy, and iterative project management (Marnada et al., 2022; Khan et al., 2021; Doblinger, 2022).

While considerable research exists, gaps remain, particularly in IT-specific empirical studies, longitudinal assessments, and the measurement of direct links between incentives and performance outcomes. By addressing these gaps, organizations can design evidence-based, context-specific incentive programs that enhance employee motivation, engagement, productivity, and retention, ultimately driving organizational success and competitiveness in a rapidly evolving IT landscape.

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