

# **Impact of Rewards on Firms Performance with Reference to SMEs in Western Province - A Mediation Model**

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## **ABSTRACT**

To be competitive and for survival of Small and Medium Businesses (SME) it is suggested to offer sufficient rewards in order to gain higher and broader skills and competencies of employees. So as to achieve this purpose, it is necessary to use a remarkable rewards management system as a function of Human Resource management. On the other hand one major objective of Human Resource Management is, enhancing employee satisfaction and organizational commitment. In Sri Lankan context, there is a need to investigate that how does rewards affect on firm performance through employee satisfaction and organizational commitment of SMEs. Therefore the objective of this study is to identify the impact of rewards on firm Performance through employee satisfaction and organizational commitment. The independent variable was rewards and dependent variable was firm Performance. Intervening variables were employee satisfaction and organizational commitment. The validity and the reliability of the instruments were tested against the survey data. The type of this study is hypothesis testing and it was conducted in the natural setting with less interference of the researchers (non-contrived). The study is a cross-sectional in time and the primary data were collected by using convenient sampling method and sample size was 20 managers working in SMEs located at Western Province. The unit of analysis was at organizational level. A questionnaire developed by the researchers was used to collect the data for the study. To test the hypotheses, correlation analysis and regression analysis were performed.. It is concluded that positive and strong relationship exists between Rewards and employee satisfaction and organizational commitment, positive and little bit strong relationship exists between employee satisfaction and organizational commitment and firm performance, and positive and relatively strong relationship between Rewards and firm performance in small and medium enterprises in Western province in Sri Lanka.

**Key Words-** Rewards, Firms Performance, Small and Medium Businesses, employee satisfaction, organizational commitment