THE EFFECT OF COMPENSATION PACKAGE ON EMPLOYEES PERFORMANCE: CASE STUDY ON COMMERCIAL BANK OF ETHIOPIA, JIMMA DISTRICT

A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

BY:

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JIMMA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

MBA PROGRAM

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DECLARATION

I hereby declare that this thesis entitled "The impact of compensation package on individual performance In Case of Commercial Bank of Ethiopia Jimma District", has been carried out by me under the guidance and supervision of Mr. Belay chekol and Mr. Dereje Tefera.

This study is my own work that has not been submitted for the ward of any degree or diploma program in this or any other institutions.

Researcher Name   Date   Signature

Wubalem Teshome   _____   _____

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Last but not least my special thanks goes to my family, specially my husband and my precious baby girl for being with me all the time providing me a moral support, encouragement, prayer and carrying all family burden with patience and endurance.

Abstract

The study aimed to examine the impact of compensation package on individual performance in case of commercial bank of Ethiopia jimma district. This research looks at the compensation system and its impact on employee performance at commercial bank of Ethiopia, Jimma. To accomplish this, the researcher uses compensation manuals and collective agreement of the bank and solicited responses to questionnaires from a cross-section of the employees. These coupled with verbal commendation of employees when implemented the study believes to go a long way to boost the morale of employees and in the end have a positive influence on their performance and productivity as a whole. Both qualitative and quantitative approaches are designed to investigate the problem under the study. In this study, the target population comprises 385 total clerical full time staff members working and managed under Commercial bank of Ethiopia, Jimma town branches and by using stratified simple random sampling techniques the calculated sample size become 196. Data was collected mainly from primary source through questionnaire. The findings revealed that salary ,overtime, bonus and health care/insurance had a positive and significant impact on individual performance.

Key words: compensation, performance, bonus, salary, over time, medical insurance,

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Compensation and benefits refer to the compensation and other monetary and non-monetary benefits passed on by a firm to its employees. Compensation is an important aspect of HRM as it helps to keep the workforce motivated. It helps give benefits to employees based on their performance and actions so that it brings the best to employees at workplace. Smart employers know that keeping quality employees requires providing the right compensation and benefits package. People are always looking to put themselves in the best possible position financially. Those who are worth a specific salary amount often know their value and will seek a position that pays accordingly. Compensation includes wages, salaries, bonuses and commission structures. Employers should not ignore the benefits portion of employee compensation and benefits, because the benefits sweeten employment contracts with the priorities that most employees need. (Kimberlee Leonard , March 01, 2019)

Benefit is the payment given to the employees for the work they have done for the organization. That means an employee is entitled to both financial and non-financial benefits in return for his contribution to the organization. An inadequate benefit contributes to law satisfaction level and increase employee turnover. Organizations compensate employees through wages and salaries, bonus and benefit such as health insurance, vacation times and pension programs. These activities are important to increase the performance of employees. (Dessler and Gray, 2005)

In an organization, employees are the key resources through which all the other objectives are achieved. Employees will demonstrate pleasurable positive attitudes when they are satisfied with their job. Thus, high job satisfaction will increase the productivity of an organization, in turn increasing the overall organizational performance. Compensation plays an important role in determining an employee's level of job satisfaction, which results to an increase in individual performance. (Calvin MzwenhlanhlaMabaso and Bongani Innocent Dlamini, 2017)

In an organization, employees are the key resources through which all the other objectives are achieved. Employees will demonstrate pleasurable positive attitudes when they are satisfied with their job. Thus, high job satisfaction will increase the productivity of an organization, in turn increasing the overall organizational performance. Compensation plays an important role in determining an employee's level of job satisfaction which results to an increase in individual performance. (Calvin MzwenhlanhlaMabaso and Bongani Innocent Dlamini, 2017). This research study deals with assessing the impact of compensation system on employee performance. Organizational productivity depends on the employee's performance. If employee's problem is addressed properly organizational productivity will surely increase. This study depicts the relationship of variables as job performance of employees with performance appraisal, job security, reward system, job satisfaction, organizational productivity, employee turnover. Due to these variables, it is easy to identify the common problems of employees in an organization. Proper management of employees by giving them compensation, incentives, and reward system and showing concern with their work life balance proves to be productive for an organization. Providing creative environment in the organization can enhance their skills. In this regard, HR department plays a very vital role in many organizations solving the issues of employees and organizational growth.

Organizational productivity mainly depends on the commitment of employees, this commitment is made strong when their will be less turnover rate and soft approach is applied with employee. When employee's carryout their activities, organizations evaluate them for several different reason which include determining giving feedback, assessing for training programs and making a good benefit or compensation packages. The main aim of this paper is to assess the impacts of compensation packages on individual performance so as to identify the company's current compensation policy that have an impact on employee's performance to support the successes of an organization through interview and gathering of facts and opinions from questioner distributed to employees who are working in different division/grade level of city branches under commercial bank of Ethiopia Jimma district.

1.2   Back ground of the organization

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963.In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. It's Pioneer to introduce modern banking to the country. It has more than 1456 branches stretched across the country. The leading African bank with assets of 711.96 billion Birr as on June 30, 2019. It plays a catalytic role in the economic progress & development of the country. It is also the first bank in Ethiopia to introduce ATM service for local users. (CBE website https://www.combanketh.et)

The Commercial Bank of Ethiopia Jimma District is found in southwest direction at 378-kilometer distance far from the capital city of Ethiopia, Addis Ababa. The district encompasses more than 80 branches and these branches perform its daily duties through more than 1335 employees. The district comprises or sub sets various regions found in Oromia, Southern Nations and Nationalities Peoples and Gambela some of the zones under these regions are Jimma zone, Bench Maji, Kontaliyu wereda, Kefazone, BunoBedele zone, Illubabor zone, Gambella and Mejengir zone. All this branches listed including human capital and other resources of the organization in combinations strongly bond to form and shape the organizational mission and vision.

CBE has revising salary and other compensation packages time to time.

1.3   Statement of the problem

To survive in competitive business, an organization should come up with appropriate compensation policies and motivate employees for the job they are doing. The reason is employees are main asset of the organization. Compensation systems are very crucial for any organization (Mondy, 2001). If employees were compensating appropriately, it would increase their performance and motivate them to become more productive. Thus, compensation has positive relationship with employee's performance (Nawab and Batti, 2011).

Scholars have argued that compensation systems provide outsiders with information about less visible organizational characteristics

According to Maslow's hierarchy of needs (1943, 1954) people in achieving organizational objectives are motivated to do so by trying to achieve certain individual needs. These needs are what are spelt out in the five level hierarchy of need he postulated in the 5 staged models which is well known in the field today. Needs lower dawn in the hierarchy must be satisfied before individuals can attend to needs higher up. It therefore beholds on the management of an organization to take into consideration the various needs or need levels of its employees in designing compensation packages that will motivate them to influence performance positively

Therefore, the problem the researcher intends to investigate is to understand what contribute to compensation and how it can be better managed and linked to employee performance. The researcher is motivated to conduct this study on this topic to assess those impacts of compensation and the consequences of compensation policies on the performance of employees. Therefore, this study will try to answer the following questions: -

➢ What are the impacts of salary on employee performance of commercial bank of Ethiopia, Jimma district?
➢ What are the impacts of overtime compensation system on employee's performance of commercial bank of Ethiopia, Jimma district?
➢ What are the impacts of bonus on employee's performance of commercial bank of Ethiopia, Jimma district?
➢ What are the impact of health care compensation and employee performance of commercial bank of Ethiopia, Jimma district?

1.4 Objective of the study

1.4.1 General objective of the study

The general objective of the study was to assess the impacts of compensation packages on employee's individual performance in case of commercial bank of Ethiopia Jimma district city branches.

1.4.2 Specific objective of the study

In line with the above-mentioned general objectives, the specific objectives are-

- ➢ To assess the impacts of salary on employee performance of commercial bank of Ethiopia, Jimma district.
- ➢ To assess the major impacts of overtime compensation system on employee's performance of commercial bank of Ethiopia, Jimma district.
- ➢ To identify impacts of bonus compensation packages on employee's performance of commercial bank of Ethiopia, Jimma district.
- ➢ To examine the impact of health care compensation and employee performance of commercial bank of Ethiopia, Jimma district.

1.5 Scope of the study

The study would have the conceptual, the geographical and methodological delimitation. Conceptually, the topic of compensation packages and its impact on employee performance is vast in the area of the study that requires intensive investigation. However, the researcher would assess the impact of benefit packages on employee performance and their types that leads to increase employee performance.

Geographically, the study focuses on commercial bank of Ethiopia Jimma district, Jimma town city branches.

The research also sees the compensation and benefit practice with in the company by analyzing the existing collective agreement of the company and working policy and procedures in its human resource department.

1.6 Significance of the study

This research will be used for Banks (government and Private), Government and individual Researchers to know and identify the impact of compensation package on employees' performances. For Bank, it will help the managers and employees to identify the effects of the impact of compensation package on employees' performances and effectively implement the compensation system in order to increase the employees' performances, which will help to increase the banks' revenue and profitability.

The study primarily has the responsibility to provide insight into the impact of compensation on employees' performance and productivity at commercial bank of Ethiopia. The outcome of the study will also serve as a knowledge base for a comprehensive look into the lapses in the management of compensation. It also helps the managers to indicate good methods of compensation packages in the organization and be an important input when designing compensation policies for employees. For researchers who wants to study his research on this title or related titles it will use as an input to support their study. It will also serve as a reference source for further research into the field of compensation by future researchers.

1.7 Organization of the study

This research has five chapters; chapter one includes; background of the study, statements of the problem, research objectives, research questions, scope of the study, limitations of the study, Hypothesis, significance of the study and Operational definitions. Chapter two includes Literature review which contains discussion of dependent variable and independent variable. Chapter three includes research design, target population, sample size, sampling method, method of data analysis, method of interpretation. Chapter four includes data analysis and interpretation. Chapter five includes Summary, Conclusion and Recommendations. The Research also includes budget break down and Reference.

1.8 Limitation of the study

While doing this research; the researcher was exposed for different challenges such as some respondents were not willing to fill the questionnaire to the researcher. Some respondents did not fill all questionnaires to the researcher. Un-willingness of some officer (Manager) to fill interview question and also to give the researcher necessary documents and report.

CHAPTER 2
LITRATURE REVIEW

2.1 INTRODUCTION

Employee compensation plays such a key role because it is at the heart of the employment relationship, being of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and on benefits to provide income and health security. For employers, compensation decisions influence their cost of doing business and thus, their ability to sell at a competitive price in the product market. (BA Gerhart - 1995)

Employee compensation practices differ across employment units (e.g., organizations, business units, and facilities) on several dimensions (Gerhart&Milkovich, 1990, 1992; Gerhart, Milkovich, & Murray, 1992). The focus of the employee compensation literature has been on defining these dimensions, understanding why organizations differ on them (determinants), and assessing whether such differences have consequences for employee attitudes and behaviors, and for organizational effectiveness.

Recent evidence suggests there are direct and indirect financial compensation forms which are involved with job satisfaction and job performance of employees (sopiah, 2013) in an organization.

Another latest research study conducts to find the impact of compensation on job performance and subsequently present a model that illustrates a relationship between them. According to this model, compensation to the employees should be paid attention to, which would result in enhanced job performance (qureshi, &sajjad, 2015)

2.2 Concept of compensation

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Akter and Moazzam2016) compensation surrounded by the employee wages and salaries, incentive-payments, bonuses, and commissions. (Chabra 2001) refers to Compensation as a wide range of financial and non-financial rewards given to employees in exchange for their services rendered to the organization. According to him, it is paid in the form of wages, salaries and employee benefits such as paid vacations, insurance, maternity leave, free traveling facility, retirement benefits, etc. He indicated that the term 'wage' is used to denote remuneration to workers doing manual or physical work. Thus, wages are given to compensate the unskilled workers for their services rendered to the organization. Wages may be based on hourly, daily, weekly or even monthly bases.

According to DeNisi and Griffin (2001) Compensation is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required. It is based on market research about the worth of similar jobs in the marketplace, employee contributions and accomplishments, the availability of employees with like skills in the marketplace, the desire of the employer to attract and retain a particular employee for the value they are perceived to add to the employment relationship, and the profitability of the company or the funds available in a non-profit or public sector setting, and thus, the ability of an employer to pay market-rate compensation.

Compensation defined by Caruth and Handlogten (2001), as the bucket of financial rewards-salaries, commission, wages, bonuses, insurance and other sorts of indirect monetary benefits-provided to employees. In addition, Dessler (2007) said that. "Compensation refers to all types of pay or rewards going to employees and arising from their employment".

Salisu, et al. (2015) in their study of impact of compensation on job satisfaction of public sector construction workers in Nigeria using sample of 265 respondents selected by stratified randomly sampling techniques. Data were analyzed by using confirmatory factor analysis tool. The study revealed that compensations have positive impact on employees' job satisfaction, which as a result leads to good performance.

2.3 Types of Compensation Packages

According to Dessler (2011), compensation can be divided into 2 forms- Direct and indirect compensations.

2.3.1 Direct Compensation

He explained that direct compensation is usually limited to the direct cash benefits that the employees receive on monthly, bi-monthly or weekly basis for the services they render as employees of a particular organization. It could also be in the form of stock bonus compensation, where employees of the organization are given the opportunity to own shares in the organization they work for and at the end of every year they have the opportunity again to gain, some divided in the form of equity on their shares. This is also referred to as Executive stock options (ESO).

2.3.2 Indirect compensation

Dessler (2011) refers to Indirect Compensation as the indirect financial and nonfinancial payments employees receive for continuing their employment with the company which are an important part of every employee's compensation. Other terminology such as fringe benefits, employee services, supplementary compensation and supplementary pay are used. According to Armstrong (2009) Indirect Compensation or Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration such as annual holidays. Management uses it ostensibly to facilitate its recruitment effort or influence the potential of employees coming to work for a company, influence their stay or create greater commitment, raise morale, reduce absenteeism in general and improve the strength of the organization by instituting a comprehensive program in this area (Noe et al. 1996).

2.4 Performance

In 1988, Baker, Jensen, & Murphy provided an explanation on performance-based compensation plans, indicates that explicit financial rewards are an important part of a worker's

compensation. Delery and Doty 1996 in Akter and Moazzam (2016) demonstrated performance-based compensation as the single strongest predictor for job performance.

2.5 The Impact of Compensation on Employee Performance

Bajor and Baltes (2003) measured though selection- optimization-compensation and investigated that there is an effective and strategic relationship between compensation and job performance. Moreover, many firms link with compensation to job performance by implementing performance – based incentive programs at every level of the organization (Schlesinger and Heskett, 1991; Coopers and Lybrand, 1992; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998; Karr, 1999; Hamilton, 1999). While several research studies again showed a relationship between compensation and job performance and documented that performance - based incentive plans result in performance improvements (Wagner et. al., 1998; Banker et al., 1996; Lazear, 1999), in the organizations.

A compensation package does not necessarily mean rewarding in the monetary form. It also includes flexible benefits, medical care, work-life balance, as well as employee perks. Today's employees not only work for the money, but also place equal emphasis on other aspects of compensation. A good compensation package ensures:

- **Retention** – A compelling compensation plan helps to reduce the turnover rate of the company. Employees will be more incentivized to stay in their role and this saves potential expenses related to turnover.
- **Motivation** – Compensation is the primary motivating factor for employees to continuously push themselves to strive for greater heights. It offers them a reason to work hard and keep driving towards achieving the next milestone.

On the other hand, employee performance and efficiency can be drastically affected if a good compensation package is absent. Here are a few reasons why:

- **Low job satisfaction** – Employees will feel underappreciated and derive low satisfaction from their job. This may lead to discontent amongst coworkers and put a dent in workplace morale.
- **Low productivity** – Poor compensation induces low productivity. There is less motivation for employees to strive for excellence

- **High turnover** – If the reward versus effort ratio is low, employees are incentivized to cast their sights away from their current job. Employee churn incurs a hefty cost to the company (retraining, relocating and time wasted).

2.6 Theoretical Literature Review

The study is anchored on Human Capital Theory and Expectancy Theory

2.6.1 Human Capital Theory:

Human capital signifies the combined the brainpower and experience of staff as a source of competitive improvement that cannot be imitated by rivals (Resick, 2007). This theory advocates for attracting, engaging, repayment and developing people in organizations. Some of the employee compensation practices in this research are meant to ensure that the performance of employees is improved this theory is relevant. However, this theory has been criticized for not addressing other underlying components of employee performance. Scholars have argued that ultimately, it is only the characteristics that improve employee performance. This is because it considers reward, which is also a factor of compensation. This means that employees can be rewarded for their efforts despite the fact that the theory does not examine the effect of the rewards.

2.6.2 Expectancy Theory:

According to Armstrong, (2010), in the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between and outcome, with the outcome being seen as a means of rewarding needs. In other words, there must be a relationship between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. It is instrumental especially when designing performance-based employee wellbeing programs. This theory helps explain why an organization's staff would feel confident that they could grow in the same organization, hence remain there, or seek development elsewhere by exiting the organization.

2.7 Challenges associated with compensation management

The main problem with indirect compensation is the lack of employee participation according to Aswathappa (2007). He mentions that once an employee benefit program is designed by the organization, employees have little discretion. For instance, the same pension usually is granted to all workers. Younger employees see pension as distant and largely irrelevant. Older female workers feel that maternity benefits are not needed. The uniformity of benefits fails to recognize workforce diversity. Admitted, uniformity leads to administrative economies, but when employees receive benefits they neither want nor need, these economies are questionable. Since employees have little choice in these benefit packages, most workers are unaware of all the benefits to which they are entitled. This lack of knowledge often causes employees to request more benefits to meet their needs. In addition, perhaps even worse, employee confusion can lead to complaints and dissatisfaction that could adversely affect their performance hence productivity.

2.8 Empirical review

Compensation defined by Caruth and Handlogten (2001), as the bucket of financial rewards-salaries, commission, wages, bonuses, insurance and other sorts of indirect monetary benefits-provided to employees. In addition, Dessler (2007) said that. "Compensation refers to all types of pay or rewards going to employees and arising from their employment".

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Yaseen (2013) studied the effect of compensation factors on employee's satisfaction. Simple random sampling technique was used in this research and correlation, ANOVA and regression analysis tools were applied. Results showed that pay, recognition, promotion and meaningful work had effect on job satisfaction.

Teseema et al. (2013) studied effects of compensation package on job satisfaction in USA, Vietnam and Malaysia. It was a cross sectional study and used a self-reported questionnaire survey on a sample of 457 respondents from USA, 391 respondents from Vietnam, and 347

from Malaysia. Data were analyzed with ANOVA, descriptive statistics and regression analysis. Findings revealed that compensation packages, namely; pay, recognition and benefits have positive effect on job satisfaction.

Nawab and Bhati (2010) studied the influence of employees' compensation on job satisfaction in educational sector using 270 questionnaires and correlation and regression analysis techniques. The results indicated that there was positive significant relationship between compensation and job satisfaction.

2.9 Conceptual frame work

The study was conducted to check the impact and relationship of the factors like salary, Rewards and indirect compensation on employee performance

This study's independent variables are training and development, performance appraisal, promotion practice, compensation and working environment are expected to affect the dependent variable i.e. performance. The above relationship is diagrammatically presented in figure below which displays how the independent and dependent variables relate as conceptualized by the researcher. The directions of the arrows show the interrelationships between the variables of the study.
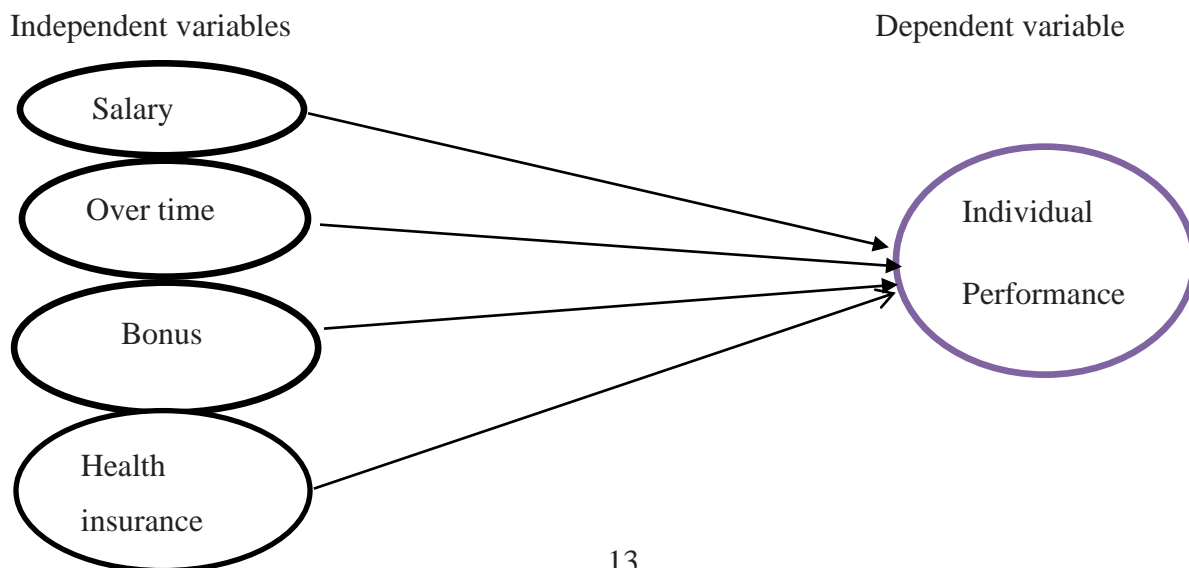
Independent variables   Dependent variable

Figure1. Conceptual framework

Source: Researcher, (2019)

2.9.1 Base-Salary

Base- salary is the annual and monthly salary rates of an employee that are established under current personnel policy for each position. Besides, base- salary is to represent the employee's straight-time pay for a standard 40- hour workweek (Anonymous, 2007). According to wikipedia.com (2009), base- salary is a form of periodic payment from an employer to an employee, which may be specified in an employment contract. It is contrasted with piece wages, where each job, hour or other unit is paid separately, rather than on a periodic basis. In other view of running a business, base- salary can also be viewed as the cost of acquiring human resources for running operations, and is then termed personnel expense or salary expense. Besides, Henderson (2006) and Young (1999) are stated that base-salary is a base pay that is given to employees on a weekly, monthly or yearly basis based on job structure.

2.9.2 Overtime Pay (OT)

Overtime pay (OT) is always included in cash compensation. It is the pay to time worked in excess of an agreed upon time for normal working hours by an individual employee (Answers.com, 2008). In addition, Overtime Pay (OT) is defines as the payment of premium time and one-half rates in form of monetary compensation or time off is required for hours worked in excess of 40 in one a week, with exception of those considered exempt. The overtime pay rate usually is 1.5 times of base wage per hour (Anonymous, 2007).

2.9.3 Bonus

Bonus is referring as a cash payment provided to employees based on their performance. For example, monetary incentives for achieving job targets (Bloom &Milkovich, 1998; Gupta & Shaw, 1998; Lowery, Beadles, Petty, Amsler& Thompson, 2002). Steven and Loring (1996) stated that bonus is a single, one-off, lump-sum payment that can be in the form of cash or other creative monetary scheme, such as stock options. Bonus is defined as all payments to employees, which is not paid regularly at each pay period, for example bonuses paid at fixed periods. Besides, bonus payments are generally linked to individual or collective performance.

Bonus can be distributed randomly as the company can afford to pay a bonus, or the amount of the bonus pay can be specified by contract (Anonymous, no date)

2.9.4   Health insurance (care) benefit

Health insurance is the foundation of a comprehensive benefits package for employees. It is the preferred benefit of the majority of people who work. Health insurance marks an employer as an employer of choice when desirable candidates select job opportunities. (**BY** susan m. heath field) Health insurance is an insurance policy that will pay specified amounts of money to cover medical expenses or treatments. (**BY** susan m. heath field) Medical insurance is likely a no-brainer most employers offer. It covers things including hospital and doctor visits, surgeries, and prescriptions. Employers usually cover a portion of this premium. *(*Taylor Stanton September 23, 2020*)*

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

This chapter stretches an outline of the research design and methodology that is used in the study. Therefore, research design, target population of the study and sampling procedure and sample size determination, data source and collection method, method of data analysis, model specification, and reliability of the instrument and description of study variable are discussed respectively.

3.2 Research Design

The study uses both descriptive and explanatory approach through surveys to assess the impacts of benefit package on individual employee performance in Commercial bank of Ethiopia,Jimma District city branches.

The purpose of explanatory approach field study is used to assess the extent of the relationships or correlations between the independent variables and dependent variables. A correlation research study allows the researcher to describe in quantitative terms the degree to which two or more variables are related. While descriptive surveys will be designed to see employee's opinions on benefit package and their performance. Descriptive studies present facts, existing conditions concerning the nurture of persons, a number of objectives or class of events and may entail procedures of enumeration and induction analysis, classification details and measurement (Creswell ,2014).

3.3 Research Approach

Both qualitative and quantitative approaches are designed to investigate the problem under study. Employing mixed approach uses to neutralize the biases of applying any of a single approach (Creswell, 2008).

Qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. In addition, it involves emerging

questions and procedures; data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data (John, Creswell, 2009).

Quantitative research is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. Therefore, the researcher use these quantitative and qualitative approach helps us to investigate the impacts of benefit package on individual employee performance.

3.3.1 Target Population

A population is the entire group of individuals, events or objects having common evident features. A target population is that population to which a researcher wants to take a broad view of the results of a study (Coolican, 2013). In this study, the target population comprises 385 total clerical full time staff members working and managed under Commercial bank of Ethiopia , Jimma town branches (Source : Jimma District HR department).

3.3.2 Sampling Technique

The researcher uses stratified simple random sampling techniques in order to study the impacts of compensation package on individual employee performance in case of commercial bank of, Jimma District, Jimma town branches. Stratified simple random sampling technique greatly enhances the likelihood of the proper representation of strata in the sample.

Paula et al. (2001) noted that, under stratified random sampling the researcher can have more precise information inside the subpopulations about the variables of the researcher's study. This leads the researcher to choose stratified random sampling for the current study.

3.3.3 Sample Size

Sampling is the process of systematically choosing a sub-set of the total population that the researchers are interested in surveying. Regarding to these Paula et al. (2001) noted that, sampling refers to drawing a sample or selecting a subset of elements from a population. The design of a sampling strategy is an important issue for a research study and it can be a powerful

tool for accurately measuring opinions and characteristics of a population. The usual goal in sampling is to produce a representative sample.

As Paula et al. (2001) state it; a perfect representative sample would be a mirror image of the population from which it will be selected.

Depending up on Taro Yamane (1973) the sample size will be calculated as follows to represent the total population or universe, 385, which is the total number of employees managed under Commercial bank of Ethiopia, Jimma District Jimma town at 95% confidence level.

It was calculated as follows:

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

$$n = \frac{385}{1 + (385)\,(0.05)^2}$$

n= 196.17=196

Where, n=Sample size, N= Population, e= standard error

Therefore, the total sample size representing the universe or population is 385 employees, which is used to assess the impacts of benefit package on individual employee performance in Commercial bank of Ethiopia, Jimma District.

For the convenience of the study the calculated 196 number of samples were collected from mangers working in different branches depending up on their job grades as follows in the following table.

Table:-Class of Employees and Sample size from each stratum

Sr_No	Class of employees	Number of Employees	Proportionate sample size from stratum $n_h= (N_h/N_s)n$
1	9	260	(260/385)*196= 132.36=132
2	10	39	(39/385)* 196= 19.85 = 20
3	11	51	(51/385)* 196= 25.96= 26
4	12	21	(21/385)* 196= 10.69 =11
5	13	14	(14/385)* 196=7.12 = 7
	Sum total	385	196

N.B

Sample size from each stratum, will be calculated by class of employees in relative to the total number of employees found and managed under Commercial bank of Ethiopia, Jimma district Jimma city and sample for each stratum is obtained by multiplying sample size (196) which is obtained from the universe or total population.

3.4   Data Source and Methods of Data Collection

3.4.1   Data Source

The study uses both quantitative and qualitative data, which is collected from primary and secondary sources through different techniques. Primary data was collected using self-administered questionnaire and semi-structured instruments to collect data from clerical employees working in the organization and key informant interviews with the district human resource-managing department.

Secondary data relevant to the research work is collected from Commercial bank of Ethiopia, Jimma district human resource documents such as office records and reports, journals,

manuals, books, and files from internet or web pages. Both primary and secondary sources are considered to collect qualitative and quantitative data that complement and/or supplement to each other and diverse information from different sources, to make the data and the results of the research will be reliable.

3.4.2   Methods of Data collection

Data was collected mainly from primary source. Questionnaires are employed for the collection of primary data from the selected employees working in Commercial bank of Ethiopia, Jimma district. The questionnaire is composed of three different sections. Sections I consisted of questions related to the socio-demographic characteristics of respondents, section II consists of questions related to compensation package considered as the independent variables namely training and development, performance appraisal, promotion, other benefit packages and work environment and questions stated under employee performance and section III consists of interview questions conducted with human resource management department. Most of the questions are stated in a five-point likert scales ranging from strongly disagree to strongly agree where 1 stands for (strongly disagree); 2 (disagree); 3(neutral); 4 (agree) and 5(strongly agree).

3.5   Validity and Reliability

3.5.1   Validity test

Harper and Thompson (2011) note that in order for data collection tools to provide useful results, the questions must be both valid and reliable. According to Creswell (2009), the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field, which helps in discovering question content, correction in the wording and the sequencing problems before the actual study as well as exploring ways of improving overall quality of study. For the sake of this study, the researcher will use the opinions of experts in the field of study especially university research instructors specifically the main advisor and the co-advisor to establish the validity of the research instrument. In addition, the researcher uses opinions of experts of the organization for the questionnaires whether they are correctly processed or not. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

3.5.2   **Reliability test**

Reliability of the data collection instrument is the consistency of measurement and frequently assessed using a test–retest reliability method (Cooper and Schinder, 2014). Reliability enables the researcher to identify the ambiguities and inadequate items in the research instrument; where the instrument reliability is the dependability, consistency or trustworthiness of a test. The scores are tested using Cronbach's Alpha for the data to be reliable for those questionnaires raised by likert scale. According to George & Mallery (2003), it is recommended that if a Cronbach's coefficient of measurement scale exceeds 0.70 is acceptable as an internally consistent so that further analysis can be carried unless it is unacceptable. They indicated the alpha in the following rule of thumb concerning reliability coefficient: Alpha > 0.9 – Excellent, Alpha > 0.8 – Good, Alpha > 0.7 – Acceptable, Alpha > 0.6 – Questionable, Alpha > 0.5 – Poor and Alpha < 0.5 – Unacceptable.

3.6   Method of Data Analysis

Once the researcher collected the questionnaires, it is coded and feed in to the SPSS computer software for analysis. Initially screening of data is done using sort functions. Quantitative data collected become analyzed using descriptive statistical techniques such as frequencies, mean, standard deviation. Qualitative data is categorized and reported in emergent themes. Measures of central tendency will give expected summary statistics of the variables being tested. The findings presented by the use of frequency distribution tables that gives record of the number of times a score or a response occurs. Descriptive statistics gave the profile of the target population, i.e. frequencies and percentages, means, standard deviations, whereas inferential statistics to be used were ANOVA/T test, Pearson correlation and the Multiple Regression Analysis Model to determine impacts of benefit package on individual employee performance. Multiple regressions and correlation as a form of inferential statistical analysis is used in determining the relationship between the dependent and independent variables.

The model will be used:

$Ep = \beta 0 + \beta 1BS + \beta 2OT + \beta 3B + \beta 4HC + \beta 5COM + \beta 6BP + e$

Where;

EP=Employee performance

β_0 = Constant term

β_1.... β_5 = Regression Coefficient to be estimated

BS = Basic salary

B= Bonus

OT = Over time

HC=health care benefit

COM = Compensation practices

BP=Benefit package

e = stochastic term.

All the above statistical tests is done using the Statistical Package for Social Sciences (SPSS) version 20 Significant levels measured at 95% confidence level, with significant differences recorded at $p < 0.05$

3.6.1 Study variables

The study dependent variable is Employee performance, while independent variables are benefit package of the organization i.e. Commercial bank of Ethiopia like Basic salary, Bonus, over time, mortgage loan, medical insurance, compensation practice and Benefit package which will be measured using 5-point Likert Scale.

3.6.2 Independent variables

In this study, the independent variable (Basic salary, Bonus, over time, mortgage loan, medical insurance, compensation practice and Benefit package) are the activities included as benefit packages which is given by the organization. Each independent variable extracted from the stages of organization compensation package from the literature review and the established relationship of these independent variables with employee performance. Those variables have

impact on employee performance are the domain considered as first-order independent variables.

3.6.3   Dependent variable

The dependent variable is employee performance. The employees' performance measured and computed by compensation package of the organization will be considered as dependent variable.

3.7   Ethical Considerations

As the researcher indicated in the questionnaire, all employees were assured that all data of this study will be used for academic purpose and analyzed secretly. In addition, the researcher got permission from the concerned body like the manager of the organization for their willingness to give necessary data for the researcher. After the managers allowed access to different data of the organization, the researcher took a responsibility not to do biased or fault action and to keep their internal secrets in time of data collection. As per the promises made to the respondents, the entire necessary attempts were made to carry out data gathering and analysis in accordance with the generally accepted ethical concerns.

CHAPTER 4

Presentation, Analysis, discussion and Interpretation of Data

This chapter deals with presentations, interpretations, analysis and discusses of the data used for the study. Several key findings emerged on Compensation Package and its association with Individual Employees' performance. The Findings also indicates the demographics participants of study, and the statistical analysis used to answer the research questions also presented. This helped to interpret and understand the results. In order to assess the Impact of Compensation Package On Individual Performance in the Case of Commercial Bank of Ethiopia, Jimma District, the study used descriptive statistics such as frequency, percentage, mean and standard deviations. The study also used inferential statistics such as person's correlation and multiple linear regressions

4.1 Validity and reliability

To measure the consistency of the scores obtained, the study used Cronbach's alpha (a measure of the internal consistency of the questionnaire items) by using data from all the respondents and Separate reliability tests for each of the variables were computed. Cronbach alpha measures the extent to which item responses obtained at the same time correlate highly with each other and the widely accepted social science cut off is that alpha should be greater than 0.70 for a set of items to be considered a scale (Field, 2009). Accordingly, the Cronbach's alpha test was carried out by using SPSS and the results are presented as follows:

Table: 4. 1 Reliability and validity table

Reliability Statistics	
Cronbach's Alpha	No of Items
0.981	22

The above Table 4.1 Shows the Cronbach's alpha reliability statistics value of the scale for all predictor and outcome variables. The calculated coefficient alpha for this study was found to be 0.981 for all variables, which is greater than the required threshold of 0.70 confirming the variables to be internally reliable. Accordingly, all variables result above suggested threshold

of reliability test is > 0.7, which is statistically significant, and the data are reliable. Additionally, it can be seen that all of the four items contribute positively to yield the highest Cronbach's alpha for the instrument.

4.2   Respondents demographic profile

Table: 4. 2 Respondents demographic profile

Demographic profile of respondents		Frequency	Percent	Cumulative Percent
Gender	Male	125	63.8	63.8
	Female	71	36.2	100
	Total	196	100	
Age	18-30	56	28.6	28.6
	31-40	78	39.8	68.4
	41-50	39	19.9	88.3
	Above 51	23	11.7	100
	Total	196	100	
Education level	Diploma	30	15.3	15.3
	First degree	119	60.7	76
	above degree	47	24	100
	Total	196	100	
Work experience	3-5 years	55	28.1	28.1
	5-7 years	81	41.3	69.4
	7-9 years	27	13.8	83.2

	Above 10 years	33	16.8	100
	Total	196	100	

Source: Survey result 2020

The results obtained in the above table 4.4 indicates that, 125(63.8%) of respondents are males and 71(36.2%) were female employees. This indicated that among the total number of respondents, the majority of the respondents were male. The findings of this study were majorly influenced by the views and opinions of the male gender of Commercial Bank of Ethiopia, Jimma District.

The respondents were also asked to indicate their Age. The results presented in the above table shows that, 56(28.6%) of the respondent were between 18-30 years, 78(39.8%) of the respondent were between 31-40 years, 39(19.9%) of the respondent were between 41-50 years old while 23(11.7%) respondents were with the age of above 50 years old. Form this, the researcher can conclude that, the majority of the respondents were found between 31-40 years old. This implies that the majority of the respondents are relatively young. This meant that majority of the respondents were between 31-40 years old and their responses may have been subject to the views and opinions shared by this age group in Commercial Bank of Ethiopia, Jimma District

Relating to educational level, the information in the above table reveals that about 30(15.3%), of the employees are diploma holders, 119(60.7%), first-degree holders while the rest 47(24%) respondents had master's degree and above. The researcher found that a majority of the respondents are first-degree holders. This means that majority of the respondents have first-degree holders and their responses may have been subject to the views and opinions shared by staff within this educational range in Commercial Bank of Ethiopia, Jimma District.

Respondents were also asked to indicate their work experience in current organization. As the result shows in the above Table, 55(28.1%) of employees are served for 1-5 years, 81(41.3%) of employees who served between 5-7 years, 27(13.8%) of employees who served between 7-9 years and 33(16.8%) of respondents worked more than 10 years. From this, the researcher can

conclude that, most respondents had 5-7 years' work experiences. The result indicates almost all of the respondents had sound knowledge and experience in Commercial Bank of Ethiopia, Jimma District so that they give severe and reliable information to the research questionnaires.

4.3 Descriptive analysis about Compensation Package on Individual Performance

Table: 4. 3 Table of descriptive analysis

Descriptive Statistics			
	N	Mean	Std. Deviation
Salary	196	3.9031	0.74862
Overtime	196	4.3916	0.85525
Bonus	196	4.2117	0.75689
Health	196	4.3401	0.78262
Valid N (listwise)	196		

Source: Survey result 2020

The respondents' views on the impacts of compensation packages on employee's performance in commercial bank of Ethiopia Jimma distinct had various agreeing on table above. For the case of salary, a mean of 3.9091 and std. deviation of 0.74862 for the case of overtime, a mean of 4.3916 and std. deviation of 0.85525. For the case of bonus, a mean of 4.2117 and standard deviation of 0.75689, For the case of health, a mean of 4.3401 and standard deviation of 0.78262. The finding in the above results shows that most of the respondents do health care and salary. Hence, the majority of respondents strongly agree that encouraging compassion packages can be better through salary and health care to increase the performances of individual employees in commercial bank of Ethiopia especially in Jimma distinct.

4.3.1 Assumption of regression Analysis

The researcher was used multiple linear regression analysis to evaluate the Impact of Compensation Package On Individual Performance in Commercial Bank of Ethiopia, Jimma District. There are several assumptions that are compulsory to provide valid results in multiple linear regressions. The researcher had applied the statistical packages of SPSS version 20 and compute the measurements of the multiple linear regressions for the study as presented below.

4.3.2 Normality Test

Assumption 1: The relationship between the predictors and the outcome variable should be linear. A normality test is used to determine whether sample data has been drawn from a normally distributed population (within some tolerance). The P_P Plot of Normality Test the cumulative probability plots of residuals (P-P plot) is used to judge whether the distribution of variables is consistent with a specified distribution. If the Standardized residuals are normally distributed, the scatters should fall on or tightly close to the normal distribution line shows that the scatters of the residuals fall straightly on the normal distribution line, indicating a normal distribution of residual.

The association between the two variables should be linear. This means that, at a scatter plot of scores should be a straight line, not a curve (Field, 2009). The scatter plots of this study show that there is virtually linear relationship between the variables. The plots do not show any evidence of non-linearity; therefore, the assumption of linearity is satisfied.

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: im
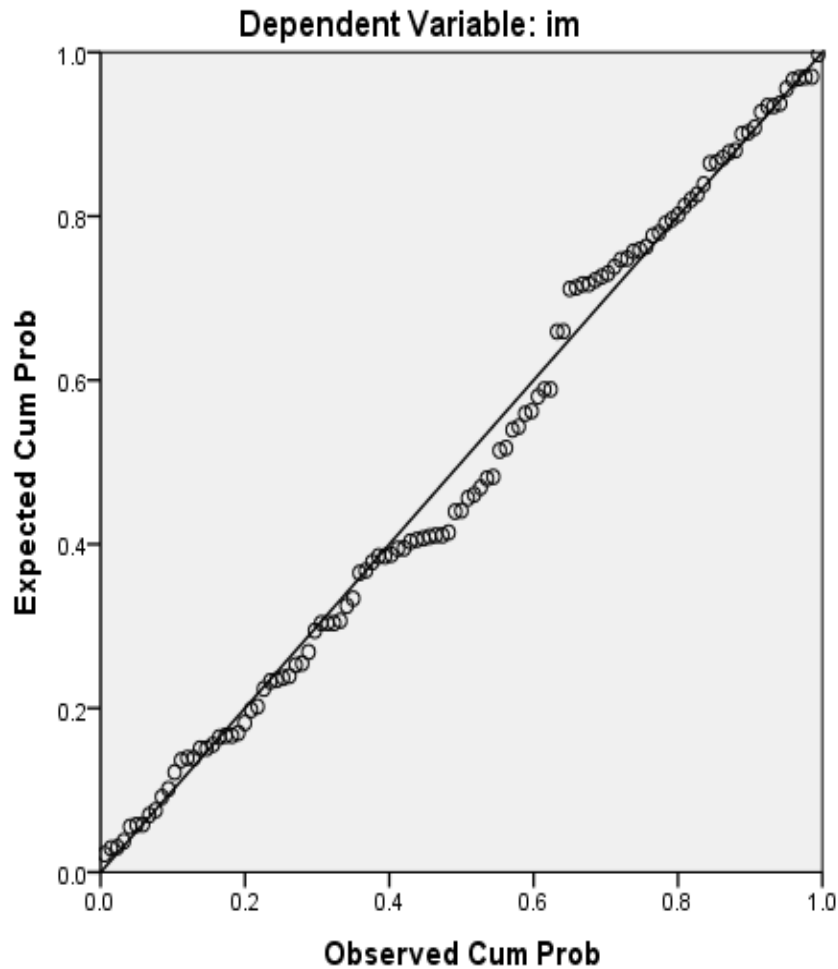
Figure: 4. 1 linearity assumption
Source: Survey result 2020

4.3.3   Normality distributions

Assumption 2: The errors should be normally distributed strictly normality is necessary only for the t-tests to be valid, estimation of the coefficients (errors are identically and independently distributed. Normality assumption is around the mean of the residuals is zero and used to determine whether a data set is well modeled by a normal distribution or not and also to indicate un underlying random variable is to be normally distributed (Gujarati,2009). Researcher was used histogram methods of testing the normality of the data. If the residuals are normally distributed about its mean of zero, the shape of histogram should be a bell-shaped and

regression standardized residual plotted between -3.3 and 3.3. From the figure below data normality can be indicated.

Histogram
Dependent Variable: performance

Mean = -2.75E-15
Std. Dev. = 0.990
N = 196
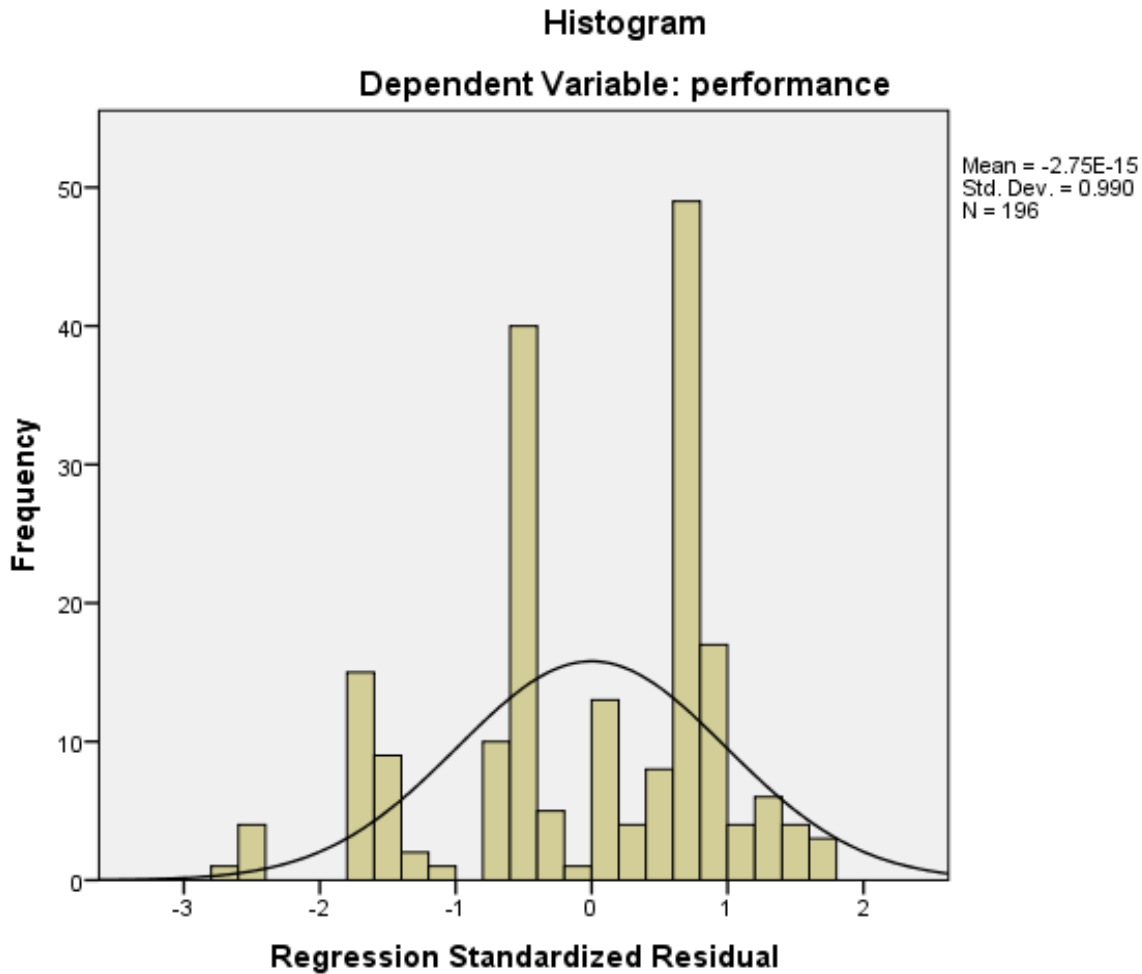
Figure: 4. 2 normality distribution assumption
Source: Survey result 2020

4.3.4   Multi collinearity Test

Assumption 3. There should not been Multi-collinearity or no perfect correlation between independent variables. According to Gujarati (2003), Multi-collinearity tests helps to identify the high correlation between explanatory variables and to avoid double effect of independent variable from the model. Predictor variable should be strongly related to dependent variable but not strongly related to each other. A tolerance of below 0.10 indicates that multi-collinearity is a problem.

The VIF is just the reciprocal value of the tolerance. Thus, VIF values above ten indicate collinearity issues. According to this measurement, none of the variables tolerance level is below 0.10 and their VIF above ten. Therefore, there is no a multi-collinearity problem with the variable. Above Table 4.7, shows there is no multi-collinearity exist.

Table: 4. 4 Table of multi-collinearity test

Collinearity Statistics	
Tolerance	VIF
8.511	0.117
17.1650	0.058
31.7810	0.031
13.246	0.075
a. Dependent Variable: performance	

Source: survey result 2020

4.3.5   Autocorrelation Test

Assumption 4: Autocorrelation. From a linear regression analysis, the Durbin Watson equation checks for autocorrelation in the residuals. The figures for Durbin-Watson typically vary between 0 and 4. A value of 2 shows the sample does not have autocorrelation. Values approximating zero indicate positive autocorrelation, and values indicate negative autocorrelation towards 4. In general, the acceptable value 1.5 & 2.5 is very common in autocorrelation (Kenton, 2019). Since the results of this test in this analysis are 1.659, the experiment fits into an experiment of linear regression.

Table: 4. 5 Autocorrelation test

Model Summaryb	
Model	Durbin-Watson
1	0.107
a. Predictors: (Constant), health, salary, overtime, bonus	
b. Dependent Variable: performance	

Source: survey result 2020

4.4 Correlation Analysis

Correlation Analysis is a measure of association between two continuous variables. Correlation measures both the size and direction of relationships between two variables. The squared correlation is the measure of the strength of the association (Tabachnick and Fidell, 1989). Correlation analysis is the relationship between two variables. The value of correlation ―r‖ is always in between minus one and plus one (-1 and +1). The sign of the correlation coefficient determines whether the correlation is positive or negative. The magnitude of the correlation coefficient determines the strength of the correlation.

Table: 4. 6 Correlation Analysis

Correlations						
		Salary	overtime	bonus	health	performance
Salary	Pearson Correlation	1	.885**	.936**	.892**	.863**
	Sig. (2-tailed)		0	0	0	0
	N	196	196	196	196	196

overtime	Pearson Correlation	.885**	1	.965**	.948**	.848**
	Sig. (2-tailed)	0		0	0	0
	N	196	196	196	196	196
Bonus	Pearson Correlation	.936**	.965**	1	.957**	.890**
	Sig. (2-tailed)	0	0		0	0
	N	196	196	196	196	196
Health	Pearson Correlation	.892**	.948**	.957**	1	.806**
	Sig. (2-tailed)	0	0	0		0
	N	196	196	196	196	196
performance	Pearson Correlation	.863**	.848**	.890**	.806**	1
	Sig. (2-tailed)	0	0	0	0	
	N	196	196	196	196	196
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: survey result 2020

Table: 4. 7 Correlation Coefficient

Correlation Coefficient(r)	Strength of the correlation
0.50 to 1.0 or -.50 to -.10	Strong relationship
0.30 to .49 or -30 to -.49	Moderate relationship
0.10 to .29 or -.10 to -.29	Weak relationship

(Cohen, 1988)

From the above correlation matrix implementation of compensation package have positive correlation with the entire variables. i.e. compensation package implementation is strong correlated with salary, overtime, bonus and health care.

4.5 Regression Analysis

Regression analysis is a mathematical measure of the average relationship between two or more variables in terms of the original units of the data. Regression clearly indicates the cause and effect relationship between the variables. In regression, the variable corresponding to cause is taken as independent variable and the variable corresponding to effect is taken as dependent variable. The results of data analysis are presented in the thesis. Regression analysis is the relationship between dependent variable and independent variable.

Table: 4. 8 Summary of linear regression result

Model Summaryb				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908	0.824	0.82	0.19528
a. Predictors: (Constant), health, salary, overtime, bonus				
b. Dependent Variable: performance				

Source: survey result 2020

The result summary table shows that value of R=0.908 which is greater than 0.50 indicates that there is a strong correlation between the dependent variable and the independent variable with effect on the dependent variable 82.4% (R-Square=0.824). R-square indicates that percentage of variance in the dependent variable or outcome variable explained by the independent variable or predictor variable. In this case, 82.4% of the variance in Individual Performance can be explained by health, salary, overtime, and bonus.

The three independent variables that were studied had explained 82.4% of variance to investigate Impact of Compensation Package on Individual Performance in the Case Study on Commercial Bank of Ethiopia, Jimma District.

The ANOVA table here below shows that there is a relationship between dependent and independent variables as the result of significant value or P value is less than 0.05.

Table: 4. 9 ANOVA table

ANOVAa						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	34.138	4	8.535	223.808	.000b
	Residual	7.284	191	0.038		
	Total	41.422	195			
a. Dependent Variable: performance						
b. Predictors: (Constant), health, salary, overtime, bonus						

Source: Survey result 2020

The last column in the above table (ANOVA-table) shows the goodness fit of the model. From the result of F-test, it is known that the F Statistics is 223.808 and p-value or the Sig. value is 0.000 which less than 5%. This indicates that the overall regression model statistically significant to predict the outcome variable, that is it is good fit for the data.

To predict dependent variables as well as to determine whether independent variables had statistically contributed or significantly contributed to the model (by looking at the sig. column), Furthermore e the "B" Column under the unstandardized coefficients column shown in the table below.

Table: 4. 10 table of coefficients

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.367	0.082		28.999	0.000
	Salary	0.15	0.054	0.244	2.757	0.006
	Overtime	0.059	0.068	0.109	0.865	0.388
	Bonus	0.669	0.104	1.098	6.421	0.000
	Health	-0.333	0.065	-0.566	-5.127	0.000
a. Dependent Variable: performance						

Source: survey result 2020

The regressions coefficients are shown in the above table indicate that, the intercept, (2.367) is representing the estimated average value of employee's performance when salary, overtime, bonus and health, remain constant at are zero. The coefficient table of the model records the coefficients for salary, overtime, bonus and health, along with the significance value. A low significance value of less than 0.05 for salary, bonus and health indicates that there is a strong relationship between independent variables and dependent variables. On the other hand, there is a weak relationship between overtime and the individual performance of the employees. Mean that overtime has insignificant contribution among the all variable of the study.

The regression equation Implementation $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$ was interpreted to mean **Y= 2.367+0.244X1+0.109X2+0.1.098X3+0.566X4.** Where Y= individual Employees Performance, X1= salary, X2 = overtime, X3 = bonus and X4=health. From the above equation, the researcher can say that there is 24.4%, 10.9%, 10.9%, and 56.6% contribution of salary, overtime, bonus and health respectively and an aggregate of 82.4% effect on the dependent variable.

4.6 Discussions of the Main Findings

This section presents the findings of the study in line with the objectives of the study based on the analysis made and the results of this study also be further explained. The main objective of this study was to examine the impacts of compensation packages on individual performances. To this end, it is compulsory to know how much the compensation packages imaginations of is known or observed by the respondents. Among employee's responses, many of them believe that commercial bank of jimma districts takes part in compensation packages out of genuine interest to contribute to the wellbeing of the society to exploit the quality of individual performances in their banks. The empirical findings are also combined with the theory to provide a wider standpoint.

The finding of the study discloses that there is a positive and significant relationship in between salary and employees performances (r = .863, N = 369, p=0.006) also there is a positive and significant relationship in between bonus and employees performance (r = .890.534, N = 369, p= 0.000) and there is a positive significant relationship in between health care and employees performance (r = .806, N = 369, p= 0.000). But there is no relationship between overtime and employees performances(r = .848, N = 369, p= 0.388) which is insignificant for this study since p>0.05. Therefore, all the hypotheses are analyzed:

Hypothesis 1(H1): There are effects and positive correlation (p<0.05) between salary and employee performance as perceived by leaders and workers respondents. Result: P=0.06 and B is positive, hypothesis 1 is accepted and the null hypothesis is safely rejected, thus salary has a significant effect on the performance of employees.

Hypothesis 2(H2): There are effects and positive correlation (p<0.05) between bunus and employee performance as perceived by workers respondents. Result: P=0.000 and B is positive, hypothesis 2 is accepted and the null hypothesis is safely rejected, thus bonus has significant effects on employee performance.

Hypothesis 3(H3): There are effects correlation (p<0.05) between health care and employee performance as supposed by employee respondents. Result: P=0.000 and B is negative, hypothesis 3 is accepted and the null hypothesis is safely rejected, thus health care has a significant effect on the performance of employees.

The descriptive result inferred that compensation practice of the organization is a predictor of employee satisfaction in having slightly positive relationship with the satisfaction of employee such as the bank recognizes employee contributions in the form of paying annual bonuses and other benefits and the non-monetary benefits, such as vacation time and medical insurance that the employee receive from the organization moderately determine employee satisfaction. Though it is some other organizational compensation practice reduces employee satisfaction this explain that from practices like educational subsidies , monthly earning relative to similar company owned privately, lack of reward for employees who are hard-working and results-oriented in the organization and salaries and benefits the employees has got do not recognize their responsibility this in turn lower employee satisfaction and also it may facilitate employee turnover for searching and having better salary and benefit . There for the bank should take strong measure in revising and correcting compensation practice of the bank.

CHAPTER 5

Conclusions and recommendations

5.1   Conclusions

The aims of the study are to investigate Impact of Compensation Package on Individual Performance in the Case Study on Commercial Bank of Ethiopia, Jimma District. Employees are the assets of any organization. This research study deals with identifying the impact of compensation system on employee performance. Organizational productivity depends on the employee's performance. If employee's problem is addressed properly, organizational productivity will surely increase. Proper management of employees by giving them incentives, and reward system and showing concern with their work life balance proves to be productive for an organization.

It is concluded from different results that Compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance. Descriptive analysis also reveals that all the independent variables have positive impact on employee performance.

In this research paper, the impact of compensation system on employee's performance was considered and prioritized. In addition, this research paper shed lights on the importance of employee for any organization. Researchers always have made efforts to identify the employee issues in organizations. organizational productivity can't be increased without employee performance .one way of improving the organizational productivity and employee performance is to improve the salary and providing employees job security and others factors which are involved in increasing the productivity of employee and organizations like working environment, and other motivational tools R- square values shows the variation in the employee issues through compensation system. Variable that we have discussed in this research study are if addressed properly then there will be less turn over in the organization. Employee's honesty with their works can only be possible through soft approach; in this regard, efforts should be made in helping work life balance.

The aforementioned discussion may be concluded that effective composition package make difference on many counts, it enhances internal capabilities of an organization to deal with current and future challenges face by an organization. In the present business scenario, where there is large-scale competition in the market, it is important for the organization to implement effective composition package for the survival and smooth functioning of the organization by reducing turn over.

Finally, this research study shows that more the relation of employer with employee and the relation with the employees are managed effectively, and then the organization will certainly grow. Therefore, based on the above review of findings, it is to concluded that the current composition package and their positive perception of banking, familiarity with the with the employees and implementation skills composition package provides the bank to improve their employee's performances.

The commercial bank of Ethiopia is doing very crucial activities regarding to initiating employees in providing different kinds of composition package such as salary adjustment, enough house allowance, fuel or transportation allowance, positioning the hard workers so many other composition package, which is very important for the bank to make workers stay in the bank by working hard. The analysis result shows that there is significant effect relationship between composition package and employees performance.

The multiple linear regression employed to test the relationship between composition package and employees' performance in case of employees of Commercial Bank of Ethiopia Jimma district. All Model summary results such as the value of R, R-square, adjusted R-square, the ANOVA result and coefficient result shows that composition package have very high significant contribution for employee's performance.

5.2 Recommendations

The researcher was analyzed the Effects of compensation on Employees 'performance at Commercial Bank of Ethiopia Jimma distinct and forwarded the following recommendations based on the finding of this study: -

➢ To make employees highly productive on their work, the bank should motivate by providing composition packages for employees in providing reward like bonus, health care and other incentives

➢ Composition package should be considered by the bank or government to reduce or avoid employees' turnover.

➢ The bank is better to follow the activities of employees by identifying hard workers and providing reward, which is the base for employee's assurance. Nothing is possible without caring about employees, so the banks, government and even employees by themselves should care about employees to bring significant changes in bank and other financial and none financial institutions.

➢ Furthermore, providing better and interesting compensations practices by an organization to their employees enhance employee satisfaction. Employees who have a good compensation package have higher levels of commitment and satisfaction at work. Higher levels of employee satisfaction lead to a good working environment. It can be therefore being suggested that the organization should have to retain appropriate employees by ensuring their pay and benefits in making better and interesting as compared to their competitors computing in the banking industry. In so doing, employee satisfaction is attained and the employees remain committed to the organization.

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APPENDICES I

QUESTIONNAIRE

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Dear respondent!

I am Wubalem Teshome a graduate student at Jimma University. I am conducting a research entitled on Assessment On the Impact of Compensation Package On Individual Performance where the Case Study On Commercial Bank of Ethiopia, Jimma District for partial fulfillment of Master of Business administration (MBA). This questionnaire has been prepared to collect data for conducting this thesis research

Therefore, since you are selected as one of the respondents, you are kindly requested to fill the questionnaire frankly based on the given instruction in each part. The information you provide shall be used as primary data for this research which only services for academic purpose. Therefore, your genuine, honesty, and prompt response is a valuable input for quality and successful completion of the study. On other hand the researcher confirms the confidentiality of information from the respondent will be kept well because of the information you give will be used only for the purpose of this study.

Thank you for your co-operation filling the questionnaire taking your precious time.

Yours faithful

Wubalem Teshome

General Instruction

1. There is no need of writing your name on the sheet
2. Please feel free and attempt all questions
3. Please read the instruction provided for each section

Section 1; General information of Respondents

This section of the questionnaire refers to general information about the respondents. The 1information will allow us to compare groups of respondents. Please put a tick (√) mark where appropriate (Please tick one box for each row)

1. Sex	Male ▭	Female ▭		
2. Age	18-30 ▭	31-40 ▭	41-50 ▭	Above 51 ▭
3. Education level	Diploma ▭	First degree ▭	above degree ▭	
4. Work experience	1-3years ▭	3-5years ▭	5-9 years ▭	Above 10 years ▭

Section 2; Core subjects of CSR: Based on how your organization understands and implements corporate social responsibility (CSR), in terms of the following core subjects to what extent do you agree with the following statements? Please put a tick (√) a score of your choice, on a scale of 1 to 5, where 1 represents "strongly disagree" 2 represent "disagree" 3 represent "neutral" 4 represent "agree" and 5 represents "strongly agree"

1 = strongly disagree, 2= Disagree, 3=Neutral, 4= Agree 5 = strongly agree).					
Salary	1	2	3	4	5
1. Higher salary and pay raise on good performance					

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2. The same reference period as for wages in your bank.					
3. You are being paid fairly as compared to others in your level.					
4. Salary and benefit provided by the organization are satisfactory					
5. Salary and other packages in your organization are revised timely					

1 = strongly disagree, 2= Disagree, 3=Neutral, 4= Agree 5 = strongly agree).					
Overtime	1	2	3	4	5
1. Overtime is paid on the basis of the hours EARNED (vacation/sick leave/holidays are count.					
2. The organization pays for its employees for every overtime they have worked.					
3. Your organization forced employees to work overtime continuously without rest.					
4. You are satisfied with the overtime payment in your organization.					

1 = strongly disagree, 2= Disagree, 3=Neutral, 4= Agree 5 = strongly agree.					
Bonus	1	2	3	4	5
1. Satisfied with the bonus/tip/reward in the organization.					
2. Your organizations' annual employee bonus is given based on individual performance.					
3. Annual bonus will encourage you to perform better for your organization.					
4. Satisfaction with the regular and systematic financial policies regarding the increment and other monetary benefits					

1 = strongly disagree, 2= Disagree, 3=Neutral, 4= Agree 5 = strongly agree.					
Health care	1	2	3	4	5
1. Your bank employees have health insurance or free medical care					
2. Your bank's employees have appropriate protective equipment / clothes when working in specific conditions					
3. The bank offers jury duty pay					
4. Your bank has a written sick leave/personal time off policy (PTO)					
5. Your bank's employees have access to any health facilities in case of accident or injury at work					

6. Your bank provides PAID Parental Leave.

1 = strongly disagree, 2= Disagree, 3=Neutral, 4= Agree 5 = strongly agree.					
Over all Effects of CSR on organizational performances	1	2	3	4	5
1. Any practices of promotional activities in your bank has play vital role to lower employee's absenteeism and to retain talented employees with the company. 2. Your banks compensation package has play key roles to increase employee's performances. 3. Implementation of compensation package in your company increases operational efficiency. 4. Your bank believe that compensation package increases overall organizational Performances.					