

**EFFECT OF COMPENSATION AND REWARD SYSTEM ON EMPLOYEE
PERFORMANCE IN THE CASE OF COMMERCIAL BANK OF ETHIOPIA JIMMA
DISTRICT**

**A RESEARCH PAPER SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF
JIMMA UNIVERSITY TO UNDERTAKE A RESEARCH IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION (MBA)**

BY: SORI DANBI

MAIN ADVISOR: EMNET NEGASH (MBA, ASSO. PROFESSOR)

CO ADVISOR: DEREJE TEREFE (MBA)

**SCHOOL OF GRADUATE STUDIES
COLLAGE OF BUSINESS AND ECONOMICS
JIMMA UNIVERSITY**

**JUNE, 2020
JIMMA, ETHIOPIA**

DECLARATION

This is to certify that Sori Danbi has carried out his research paper work on the topic entitled *“effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia jimma district”*. The work is original in nature and is suitable for the submission for the reward of MBA degree in business administration.

Researcher’s Name

Date

Signature

CERTIFICATE

This is to certify that the research paper entitles *“effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia jimma district”*, submitted to Jimma university for the award of the degree of masters of business administration and is a record of confide research paper work under our guidance and supervision.

Therefore, I hereby declare that no part of this research paper has been submitted to any other university or institutions for the award of masters.

Main Advisor’s Name

Date

Signature

Co-Advisor’s Name

Date

Signature

ACKNOWLEDGEMENT

First of all, I give glory to almighty God for his protection in health, knowledge, wisdom and determination to cover this journey. I would like to express my special appreciation to my main Advisor Emnet Negash (Mba, Asso. Professor) and co advisor Dereje Terefe (Mba) are for valuable guidance and advice that enabled me to successfully complete this study paper. I extend my heartfelt appreciation to my family for valuable advice and assistance given during my period of paper preparation. May God bless you all!

ABSTRACT

The main purpose of this study was to examine the effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia Jimma district. In an attempt to achieve this end the study is explored both primary and secondary sources of data. With employing non- probability of purposive sampling, data was collected by administering questionnaire and exploring documents. The collect data information was analyzed using quantitative and qualitative method of data analysis. The researcher takes a sample for 353 from employee of the bank. Data was collect using structured questionnaires and was analyzed using Statistical Package for Social Sciences (SPSS) version 20.0 for windows. The data was analyzed using Statistical tools such as mean, standard deviation, correlation, and regression models. The findings of this study indicated that there was a significant relationship between compensation and reward system with employee performance. The study also indicated both financial and non-financial compensation and rewards have a significant relationship with employee performance. The non-financial compensation and rewards were found to be a more motivational than the financial rewards in Commercial Bank of Ethiopia in Jimma district. It was also found out that total rewards of CBE in Jimma district had an impact on employee performance. As a result, creating competitive and effective compensation and rewards should be industrial to stimulate employees' performance.

ABBREVIATION

CBE-Commercial Bank of Ethiopia

HRD-Human Resources Development

HRM-Human Resource Management

EIP-Employee Involvement and Participation

ILO-International Labor Organization

SPSS -Statistical Package for Social Science

ANOVA-Analysis of variance

Table of Contents

Acknowledgement	i
Abstract	ii
Abbreviation	iii
Table of content	iv
List of table	vii
List of figure	viii
CHAPTER ONE	1
1. INTRODUCTION	1
1.1. Background of the study	1
1.2. Statement of the problem	3
1.4. Objective of the study	5
1.4.1 General objective of the study	5
1.5 Significance of the Study	6
1.6 Scope of the Study	6
1.7 Limitations of the Study	6
1.8 Organization of the Study	7
CHAPTER TWO	8
2. LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical Framework of Employees Performance	9
2.3 Compensation and the performance of employees	11
2.4 Types of Compensation	13
2.4.1 Financial compensation	13
2.4.2 Non- Financial compensation	13
2.5 Compensation Strategy alternatives	13
2.6 Indirect compensation/Benefits	14
2.7 Compensation Policy	14
2.8 Empirical review	15
2.9 Conceptual Framework	19

CHAPTER THREE	20
3. RESEARCH METHODOLOGY	20
3.1 Research Design and Approaches	20
3.2 Source of Data	21
3.3 Sample Size and Sampling Techniques	21
3.4 Data Collection Tools.....	23
3.5. Validity and Reliability	23
3.5.1 Validity	23
3.5.2. Reliability	23
3.6 Model Specification	24
3.7 Method of Data Analysis and Interpretation.....	24
3.8 Ethical Consideration	25
CHAPTER FOUR.....	26
4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION	26
4.1 Demographic characteristics of the respondents.....	26
4.2. Data Analysis	29
4.2.1 Analysis of Financial reward.....	29
4.2.2. Analysis of Non-financial reward.....	30
4.2.3. Analysis of Employee Performance	31
4.3. Analysis of coefficient correlation of Financial &Non-financial and Employee Performance	32
4.4. Regression Analysis of the result.....	34
4.4.1. Regression Analysis of Financial Reward on Employee Performance	34
4.4.2. Regression analysis of non-financial and employee performance	36
4.4.3. Regression Analysis of Financial and Non-financial Compensation and Rewards with Employee Performance.....	36
4.5. Results of the Findings.....	37
4.5.1 Financial compensation and reward have a significant relationship with employee performance	38
4.5.2 Non-financial compensation and rewards have a significant relationship with performance	38

4.5.3 Financial compensation and rewards are a more motivating factor to increase the employee performance than non-financial	38
CHAPTER FIVE	39
5. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	39
5.1. Summary of the major findings.....	39
5.2. Conclusions	40
5.3. Recommendations	41
REFERENCE	42
APPENDIX.....	43

List of table

Table -1 Distribution of respondents by demographic characteristics.....	25
Table -2. Descriptive Statistics of Financial Reward.....	28
Table -3. Descriptive Statistics non-financial.....	29
Table -4. Descriptive Statistics Employee Performance.....	30
Table -5. Correlations	31
Table -6. Model Summary	33
Table -7 Anova	34
Table -8. Coefficients.....	34
Table-9. Modal Summary	35
Table -10. Model Summary	36
Table -11. Coefficients.....	36

List of figure

1. Conceptual Framework of the Research	18
---	----

CHAPTER ONE

1. INTRODUCTION

This chapter provided an overview of the study. It briefly discussed the background of the study, the statement of the problem, the research questions, the objectives, the significance, the scope the limitation and the organization of the study.

1.1. Background of the study

Human resources are the most vital resources for every organization. Organizations are made up of people and function through people. Without people organization cannot exist. The resource of money, men, material and machineries are collected, coordinated and utilized through people. These resources by themselves cannot fulfill the objectives of the organization. They need to be united in to a team. It is through the combined effort of people that material and monetary resources are effectively utilized for the attainment of common objectives. Pay has a significant impact on employee behavior, performance and effectiveness in organizations.(Nigel Slack, 2010).

Many organizations have now recognized that human resources development (HRD)play an important role in gaining a competitive advantage in today's highly competitive global business environment. While all aspects of managing human resources are important, employee retention continues to be an essential Human Resource Management (HRM)activity that helps organizations in their quest to achieve their goals and objectives (Mello,2007).

The strength of any financial service providing company also depends on the contentment and inspiration of its employees. Banks are the biggest financial service providers of any nation. Bottorff (1999) argues that banks have to respond to increased competition by rewarding not only performance but also efficiency. He further argues that by rewarding employees for finding more efficient ways to process work, rather than measuring output, banks might generate a structural solution to the banking industry's productivity challenges.

Compensation is reward that employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar monetary exchanges for employees' performance (Holt, 1993). Compensation is a part of transaction between employees and employer that results in employment contract. From the employees point of view pay is necessity for life. The compensation received from work is one of the basic reason people seek employment.

Compensation is the most critical factors in attracting and retaining high quality employees. The employees' commitment and motivation are directly tied to this aspect of the employment relationship. Great employers provide generous monetary and non-monetary compensation and benefits to their workforce. Money is considered as the reward which is given to employees against work, to support their family, and payment for the work which is done. Barton (2002) suggested that organization should take into account financial rewards like salary because it has strong influence on employee motivation and retention. An organization's compensation system can have far-reaching effects on its competitive advantage.

Determinants of pay may also not be limited to within an organization but can be influenced by factors outside the organization. For example, Giancola (2009) states that in many organizations, the internal pay structure and salary increase plans are heavily influenced by the actions of other companies. There may be more variables explaining employee compensation than merely the strategic direction which an organization has chosen to adopt. Boyd and Salamin (2001) indicate that base salary could be viewed as being determined by individual characteristics (gender, age, hierarchical position) rather than strategic orientation, while a bonus is largely explained by strategic orientation rather than individual factors.

The level of compensation largely depends upon organizational performance as well as operating policies and strategies. He asserted that organization ability to pay, demand and supply of labor, management philosophy and government regulations as follows: Sometimes, the organization itself evaluates where it is in order to prepare compensation plans. The position of the organization is determined by its productivity, when the productivity of the worker is high, it assesses itself as a higher position. As a consequence of it, the compensation system is determined at a higher level. Davis, T.J. (2007)

Contrary to it, in case of lower productivity, wages/salary rates tend to be low. Thus, any shift in productivity and employee performance has direct impact on the wage level of the organization. Large organizations can often pay at a higher wage rate than smaller ones. Organizations typically increase in size because their services and products are in demand. With increased size come an economy of scale and the opportunity to increase profits with each additional product or unit of service provided. Dolmen, (2004)

Performance incorporates the resulting outcomes of the performed actions of employees based on their expertise and skills. In organizational settings, employees' performance is the accumulate result of the skills, efforts and abilities of all the employees contributed in organizational improved productivity leading towards its goal achievement. Improved organizational performance indicates the efforts towards goal achievement while requiring more efforts in terms of improved employee performance (Ellinger et al, 2003). Employee performance is among the critical factors that contribute significantly in organizational success. Learning organizations play important role in enhancing employee performance through providing trainings and developments for their employees (Gitongu et al, 2016). Moreover, management standards to evaluate employee performance also play critical role in improving employee performance as they provide the picture of actual performance and its alignment with the benchmarks. If discrepancies found, then these standards help bringing the outputs again towards their required levels (Mackay et al, 2004). Employees' performance also depends on their internal satisfaction towards their job. If employees are satisfied from their jobs as well as the organization than they are more keenly interested to perform well towards organizational goal achievement (Harter et al, 2002).therefore, hence the researcher was identify effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia Jimma district.

1.2. Statement of the problem

Employee performance is defined as the job related activities expected of a worker and how well those activities are executed. Organizations have well defined vision, mission and objectives which have to be obtained through employee participation and involvement (EIP) in the organization. Employee involvement is a process of empowering employees to participate in managerial decision-making and improvement activities appropriate to their levels in the

organization (Apostolos, 2000). Employees should be valued at any organization and be encouraged to wholly participate in the organizational activities to deliver quality services. Employers acknowledge that their organizations will flourish if they can engage their employees, meaning that they will be motivated to give of their very best to their employer (Foot and Hook, 2008).

The study will be understanding of human behavior has posed a strong challenge to both the researchers and practitioners. They have been interested in finding out the causes of human behavior. The behavioral scientists want to find out why people behave the way they do.

Scientific management school of thought assumes that most people are motivated primarily by economic rewards and emphasize the role of compensation and other incentives for increase in productivity. There are various factors that may contribute to the discrepancy in determining employee compensation within an organization. Employee experience and level of education are signals to organizations about employees' knowledge and skill levels, and thus the labor market rewards employees for acquiring more human capital with access to better jobs, higher earnings, and greater incentives to remain (Ng & Feldman, 2010).

According to Gomez-Mejia et al, (2010) each employee in an organization exchanges a set of inputs or contributions (e.g., education, effort, and long-term commitment) for a set of outputs or contributions (e.g., pay, promotion, prestige). This exchange process takes place not in isolation but within a social setting. Thus, employees are constantly comparing their inputs relative to their outcomes vis-vis other employees (called referent others) inside and outside the organization (Gomez-Mejia et al. 2010).

In practice, where a given employee will be positioned in terms of salary depends on a number of factors, of which the most common are previous experience, company tenure and assessed job performance (Hellerman&Kochanski, 2008; Amuso&Knopping, 2008; Wilson &Malanowski, 2008; Grote, 2008; Niven, 2008; Graham-Brown, 2008).

Banking industry in Ethiopia is suffering with high labor turnover and has high flow of employees from one bank to another bank to facilitate their life style by comparing their bank pay scale and benefit package with other banks. Employees are also finding the most

preferred or perceived compensation and benefit management system this may affect the productivity of the organization.

From the earlier researches it is observed that compensation management is mainly to improve the behavior, productivity, performance and effectiveness. It is also useful to retain, motivate, satisfy and improves the attendance of the employees. It focuses mainly on the core function of human resource management such as recruitment, performance, satisfaction and relationship. Some opinioned that it is not throwing money on the employees.

However, the researcher will not find analysis of determinants of employee performance in banks and therefore constitutes a gap in knowledge that this study is intended to fill. This statement is particularly true in one prominent sector of the service industry: the financial services sector (Treble et al(2001). Therefore this study is going to fill the gap that to effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia Jimma district.

1.3 Research Questions

1. What type of relationship between of financial and non financial compensation and reward packages accessible with employee performance in CBE Jimma district?
2. What is the effect of financial compensation and rewards on employee performance in CBE Jimma district?

1.4. Objective of the study

1.4.1 General objective of the study

The main objective of this research was to examine effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia Jimma district.

1.4.2 Specific Objective

The specific objectives were;-

- To examine the relationship between of financial and non financial compensation and reward packages accessible with employee performance in CBE Jimma district.

- To examine the effect of financial compensation and rewards on employee performance in CBE Jimma district.

1.5 Significance of the Study

The researcher was building an effective compensation management system in order to sustain in the competitive world of the organization. It may be financial and non-financial compensation. It is useful to attract, retain and motivate individuals towards higher performance. In order to get work done by the employees and workers organizations need to pay the required amount of wages and salaries in the form of compensation. For the researcher, the finding of this study initiate for further research. Moreover, this study initiate the commercial Banks to give due emphasis on the management of identified variables and provides them with understanding of activities that enhance their employee performance. Finally, the finding of the study was as a reference by other researchers; thus, it can minimize the literature gap in the area of the study especially in Ethiopia. The current research initiated to examine the effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia Jimma district.

1.6 Scope of the Study

This research was focuses on the effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia Jimma district. As compensation system and benefits are implemented on permanent employees the study is delimited to the data obtained from clerical staff of commercial bank of Ethiopia Jimma district. Practically, the study geographically limited to employees of Jimma district areas because it is obvious it was very difficult to conduct a study throughout the bank's stretched across all branches. It was more generalize if the study took samples from the total populations of the company through financial and non financial compensation independent variables.

Moreover, the researcher delimited its target population to employees who served the bank for a year and above and non-clericals employees such as janitors, security guards, and messengers are excluded as they are outsourced from commercial nominees' plc.

1.7 Limitations of the Study

The study sample population is taken from employees who work in Jimma district area. This might affected the overview of the research findings to the whole commercial bank of Ethiopia's employee since the total population of CBE is large as conducting and taking sample from the whole population is not achievable because of money and time constraints at this level. A number of the employees were not enthusiastic to fill up the questionnaires disseminated. The researcher has not working a qualitative research method since the enthusiasm of the top managers to give interviews are poor due to the work overload they have and they fear they have compromised privacy of the bank. This might affect the results of the study. Another limitation is that the study included the main compensation and rewards and excluded some variables of compensation and rewards offered by CBE due to shortage of time available.

1.8 Organization of the Study

The study consists of five chapters. The first chapter deals with the introductory part which include: background of the study, background of the organization, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study limitation of the study and organization of the study. The second chapter focused on their view of related literature. The third chapter consists of the research methodology. Chapter four is contained data presentation, analysis and interpretation. Finally, the last chapter is concluded the total work of the research and give relevant recommendations based on the findings.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

Employees are the backbone of an organization. The attainment of organizational objectives largely depends on the motivation of employees to work. Among other things employees are motivated to work when they are provided a fair financial and non-financial compensation for service rendered to the organization. Giancola, F.L. (2009)

Compensation is the reward employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar non-monetary exchange for employee's performance"(Holt,1993). Well designed compensation system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get form work is pay (Decenzo and Robbins, 1999).

On the contrary, if compensation is not tied to work, employees are likely to look for better paying job. Moreover, where employees are dissatisfied with the type of compensation, their contribution towards goal attainment tends to be lower. In severe cases, pay dissatisfaction may lower performance, causes strike, increase grievance and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 1996).

The objectives of compensation is to create a system of reward that is equitable to employers and employees alike, so that employees are attracted to work and motivated to do good job for the employer. Through effective compensation (Werther and Davis 1996) has identified the following seven objectives: Acquire qualified personnel, retain current employees, ensure pay equity, reward desired behavior, control cost, comply with legal considerations, and facilitate understanding.

2.2 Theoretical Framework of Employees Performance

Employee performance is defined as a rating system used in most corporations to determine the abilities and output of an employee. Every organization has set clear vision and mission which leads employees to attain organizational goals. Managers develop job descriptions and job specifications to ensure that each employee is accountable for their responsibilities. Managers should therefore, consider the well being of employees which affects their performance. When employee's performance is low, the organizational performance is affected negatively. Employees should also play an important role when decisions concerning the organizations are made; this is because most of the decisions affect the employees who are known to deliver some of the crucial activities. In this world of rapid change and increasing complexity, leaders rarely have enough information to make the best decisions alone, employee involvement can potentially solve problems or realize opportunities more effectively (McShane and Glinow, 2008). The managers should not dwell on the old ways of performing activities; instead they should move with the technology which qualifies the organizations to stand out in the market, the young employees might have that information which helps the organization to be competitive. Most human resource professionals recognize the need to focus on performance (Dessler, 2008). Performance determines the success or failure of an organization. Some managers therefore apply all the possible alternatives to ensure that their organizations do not collapse.

Employee engagement can break or make a business (Sisson, 2007). Managers should also ensure that they take the right employees opinions to avoid making irrelevant decisions. Most firms have consultation agencies which advise them on the way forward concerning the organizations, wise decisions should therefore be made. Employee performance does not occur in a vacuum (Ripley, 2002). Managers should not only look at the employees but also at the environments in which the employees are expected to perform. Required facilities (system factors) should also be made available to deliver quality services, they include information, resources and incentives. Employees should therefore ensure that their work is done effectively and efficiently to avoid organizational bankruptcy hence helps them to improve their performance; employees can be motivated to work when the required resources and tools are available hence increase their production level. Information is critical in organizations, this is because the employees need to know what is expected of them to produce, need to get feedback

and know the policies and procedures governing the organization. Regardless of the employee skills and experience, necessary resources to perform should also be made available for employees, tools and materials. Employees need to be given the ability to contribute to the performance of the firm together with the means and incentive to do so (Foot and Hook, 2008). During the recruitment and selection, the managers should ensure that the right candidates are appointed based on the skills, experience and their level of education. Skills are gained through education and experience. Once employed, training and development is employed to add the required skills to the employees to achieve the vision and mission of the organization hence improving their performance since they have the necessary skills. Training should be appropriate to the type of work to be performed (Nzuve, 2010), hence should be comprehensive enough to allow employees understand the nature of work to be performed. Personal factors which include skills and knowledge, capacity and motivation should be considered relevant to the employee level of performance. People need to know how to do their job, have the actual or potential ability to perform, yield, or withstand and be well motivated to perform. Performance is as a result of ability and motivation (Mitchell, 1982); $\text{Performance} = \text{Ability} + \text{Motivation}$. High-performance is achieved by well-motivated people who are prepared to exercise discretionary effort - in the majority of roles; there is scope for individuals to decide how much effort to exert (Armstrong, 2009). The extent to which employees are motivated in their work depends on how well those employees are able to produce in their job.

Motivation is expected to have a positive effect on quality performance; employees who are characterized by a high level of motivation have a high work and life satisfaction. Motivation leads to high level of initiative and creativity from the employees and motivation is therefore extremely important for ensuring high quality performance. Employee skills, motivation and incentives have an impact on commitment, individual motivation and job satisfaction, which impacts employee discretionary behavior which in turn impacts on performance (Derek, 2008). Employee performance appraisal exercise should also be conducted to measure the level of employee level of performance and compare with the set goals and objectives. Employee performance appraisal is carried out in organizations to identify an individual current level of performance and to enable employees improve on their performance (Cole, 2002). Managers are able to identify the weakness and strengths of their employees as a result of appraisal. Managers initiate activities which can help employees improve their weakness like engaging them in

training and development exercise to attain the required skills which in return results in to improved performance. Some employees strengths are rewarded hence motivating them to add more effort on their work and improve their performance. Organizations which are ignorant on employee performance might end up collapsing since managers do not monitor the employee achievements which might not relate to the set organizational goals and objectives. The management should work in partnership with employees for continuous and increased production. Through the use of involvement and partnership practices, organizations will attempt to maximize their employee's contribution to the achievement of organizational goals and ability to add value through high-performance working while also directly benefiting the employees themselves (Foot and Hook, 2008). Managers should be concerned with the welfare of employees and also the success of those organizations. Managers also have another role to play to ensure that the organization stands out in the market and they include gap analysis technique and benchmarking. Gap analysis involves an investigation of the gap between the vision, objectives and goals of the organization and actual level of performance, and establishing the action necessary to bring activities in line with that what is planned (Mullins, 2010). When a manager finds that something has to be improved, he/she works on it for continuous performance. Another technique is benchmarking, which refers to the process of identifying the best practice in relation to their and competitors products and services and the processes by which those products are created and delivered. When organizations want to improve their performance, they benchmark. Managers compare and measure their organizations policies, practices, and performance measures against those of high-performing organizations in the world.

2.3 Compensation and the performance of employees

Dessler (2008) defines employee compensation to include all forms of pays given to the employees arising from their employment. Rewards management policy is one of the elements organizations use to attract and retain its most valuable and worthy assets. Literature has identified various human resources management practices which are considered to be the best practices for retaining and motivating human capital in an organization. A good rewards management practice is one of such practices. Khan (2011) further notes that Human Resources are the key drivers of the prosperity and success of any organization and unless the organization

does offer salary, rewards and due benefits according to its employees needs and wants it will not be able to conquer the highest level of efficiency and competency of its employees. Khan et al continues to point out that rewards management is a complex process which requires accuracy and precision and if not carried out properly may lead to organizational concerns. An ideal reward policy encourages employees to work harder and with more determination. It also helps the organization to set standards that are job related, realistic and measurable. Such policies should have sound integration with other HRM practices. The basic wage or pay is the main component of compensation, fringe benefits and cash and non- cash benefits complete the compensation and benefits elements. Pay determination is intended to meet objectives such as equity, efficiency, macro- economic stability and efficient allocation of labor. Grud (2008) notes that extraordinarily high wage increases are not in general associated with further increases in individual productivity. On the contrary these high wage increases may lead to an inefficient employee. Nawab (2011) in their study revealed that compensation management can affect job satisfaction and employees organizational commitment. Organizations can use employee compensation as a method for enhancing employee's job satisfaction and their commitment with the organization. Both financial and non-financial compensation are significant in fostering overall organizational commitment which when realized helps maximize employee contribution. International Labor Organization (ILO) publications

such as “an introduction to performance and skill- based pay systems “ (1998) has pointed out pay as an important and contentious element in an employment relationship with the employer, employee and the government having equal interests. For the employer it forms part of a greater part of his costs and it also affects his ability to recruit and retain quality labor force. To the employee it is fundamental to his standard of living and is a measure of the value and his services. The government is interested since salaries affect aspects of macro-economic stability such as employment, inflation, purchasing power and socio-economic development in general. Tsai K et al (2005) in their study demonstrated that employee benefits offer advantage in organization productivity through improvement of labor efficiency. Benefits also help increase employee satisfaction which is a sign of good management and happy environment in any organization. Ismail et al., (2010) note that performance based pay acts as a precursor to job satisfaction. When employees perceive that they receive adequate pay from their employer and that they are actively involved in the pay systems this leads to greater job satisfaction.

2.4 Types of Compensation

In general, there are two types of compensation: These are

2.4.1 Financial compensation

Financial compensation includes direct compensations, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect compensation in the form of insurance plans(life, health, social assistance), Retirement benefits educational assistance, employee services, and paid absence for vacation, holydays, sick leave, etc.(Mondey and Noe, 1990)

2.4.2 Non- Financial compensation

Non- Financial compensation includes any satisfaction which employees receive from the job, such as the need for recognition, responsibility, personal growth and the like or from environment in which they work including comfortable working condition, competent supervision, pleasant work companion and other related physical and social needs of Employees(Mondey and Noe, 1990).

2.5 Compensation Strategy alternatives

Compensation is an expense in the sense that it reflects the cost of labor (Mondey and Noe, 1990), often governed by compensation policies. As organization differ in size and purpose, so do in pay level. Glueck (1978) has identified three alternative strategies. These are:

i.The high-pay-level strategy: under this strategy organizations choose to pay higher than the average pay level that the market pays. The assumption is that a higher salary or wage will enable organizations attract and retain competent employees and this, in turn enhances employee's productivity.

ii. The low-pay-level strategy: In this alternative, the organization pays a minimum salary or wage to employees. This may be because a poor financial condition or the work doesn't require highly qualified personnel.

iii. The comparable-pay-level strategy: This strategy requires organizations to follow "equal pay for equal work". In this strategy employees are paid based on comparable value of jobs they are performing within the company and/or the market.

2.6 Indirect compensation/Benefits

Indirect compensation is paid for being member of the organization. It provides protection against health and accident related problems and ensures income at the end of one's work life. For example, in United States legally required benefits includes social security, unemployment compensation, and workers compensation; private programs includes health care, life and disability insurance. Retirement income is provided through pension and saving plan. Benefit programs also includes pay for time not worked (for example, vacation, holydays seek leaves and absence pay, breaks and wash up and clean up time(Randal, 1998) According to Randal (1998), benefits provide firms the opportunity to attract and retain valued employees. He identified several reasons why organizations pay much money into benefit programs. These include:

- Attracting good employees
- Increase employee morale
- Reduce employee turnover
- Increase job satisfaction
- Motivate employees
- Enhancing the organizations image among employees and in the community
- Make better use of compensation money

2.7 Compensation Policy

Compensation policy is derived from organizational strategy and its policy on overall human resource management. In order to make compensation management to work effectively, the organization should clearly specify its compensation policy, which must include the basis for determining base compensation, incentives and benefits and various types of perquisites to various levels of employees.

The policy should be linked with the organizational philosophy on human resources and strategy. Organizations need to develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees. (Source: <http://www.ioma.com>)

There should be a written policy on compensation related matters including the determination of what, when, and how they pay and related issues computed. According to Gary Dessler(1994), other compensation policies include the amount of vacation and holiday pay, overtime pay policy, method of payment(i.e. weekly, biweekly, monthly) etc.

2.8 Empirical review

The importance of compensation variability in influencing compensation importance has been demonstrated empirically under carefully controlled conditions. For example, Rynes et al (1983) showed that compensation explained an average of 65% of the variance in subjects' overall evaluations of job attractiveness when presented with jobs having a wide range of salary alternatives, as compared to only 40% when presented with a compensation range half as great (Cole,2002). He further notes the fact that the importance of compensation changes with variability in compensation alternatives can also be seen by contrasting the effects of compensation in vibrant versus stagnant economies. During the late 1990s, for example, the importance of compensation in shaping behavior could easily be observed as many of the most marketable employees bailed out of large, relatively stable employers to pursue much

The most general theoretical explanation for compensation importance is the fact that it is useful for obtaining so many other desirable things (Lawler, 1971). For example, in addition to Maslow's (1943) frequently mentioned "lower-order" needs (such as food and shelter), money can also pave the way toward social status, a good education for one's children, or making it possible to retire early and enjoy increased leisure. Another general explanation for the importance of compensation is that compensation is frequently used as a yardstick for social

status (Frank, 1999) and personal accomplishment *vis a vis* others, particularly among high achievers (Rynes&Bretz, 2002).

Status and accomplishment-based signals associated with compensation appear to be particularly sensitive to relative pay, or pay comparisons, rather than absolute levels of pay. Equity theory (Adams, 1963) has long emphasized the importance of compensation comparisons to individuals' sense of fairness and well-being.

Omar and Shittu (2005) conducted a study of compensation satisfaction among supermarket employees in the U.K. The researchers used a non-experimental, quantitative design of employees who worked for Tesco, Sainsbury, Asda, and Safeway, which are leading food retail organizations in the U.K. Findings indicated that only 32% of employees were satisfied with their compensation and over 55% of employees were dissatisfied, very dissatisfied or extremely dissatisfied using three-way analysis of variance.

A study in South Asian country of Bangladesh, on the title of the "Impact of Rewards on Employee Performance in Commercial Banks of Bangladesh indicated that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have a positive influence on employee work performance. Based on result of the study, it showed that only extrinsic or intrinsic rewards are not sufficient to motivate employee to perform work highly. The results of correlation matrix, there was a positive relationship among extrinsic rewards, intrinsic rewards and employees' performance. There is also strongly relationship between extrinsic rewards and intrinsic rewards. Basic pay was a highly significant factor which affected employee performance than performance bonus. Challenging work was a highly significant factor which affected employees' performance (Aktar, Sachu and Ali, 2012).

A study conducted in West African country, Nigeria on the title of the "Effect of Rewards on Employee Performance in Organizations indicated the presence of a relationship between rewards and employee performance and that there is a significant difference on the effects of intrinsic and extrinsic rewards on employee performance. The respondents agreed that when their work provides an opportunity for growth, they will enjoy it. Respondents opined that when their contributions are recognized by superiors in the organization they feel motivated. Respondents perceived that extrinsic rewards, such as: a competitive salary and cash bonus for

exceeding work targets motivate them to achieve greater feats (Ihedinmah, Chijioke, Egbunike, Chinedu, 2015).

Financial compensation (money) may mean different things to different people, but as Luthans (2002) noted, money has long been viewed as a reward, and for most people, it is the most important thing that an organization can give them. Not only is money a motivator, but, as Luthans observed, the more money some people get, the more have they wanted. Once people satisfy their basic economic need, they look ahead to achieve their need that was once beyond their reach. On the other hand, if an organization reduces its pay, morale of employees may suffer. “Simply put, morale is fragile, and when employees feel there are not being treated well, this can impact on their performance and hurt the bottom line.” (Luthans, 2002, p.263)

Rewards are either fixed or variable. Fixed rewards are in the form of salary and variable rewards are in the form of bonus and other incentives (Chapman & Kelliher, 2011).

Variable remuneration is considered to be beneficial to employees through providing higher compensation if the desired behavior is displayed and objectives are achieved by translating business strategy into tangible goals (De Swardt, 2006). Increasing the ratio of variable remuneration to fixed remuneration is considered to add flexibility to the organization by placing the organization in a better position to pay higher remuneration when the organization performs better. Likewise, variable remuneration provides the organization the opportunity of paying lower remuneration when the organization performs poorly. Merit pay normally applies to the fixed component of a remuneration plan. Typically, merit pay is based on the individual performance of employees, and is often determined by performance appraisals undertaken by supervisors. Merit pay is differentiated from bonuses and long-term incentives in that the increase in merit pay is permanent, whereas the others are considered to be once-off payments (Park & Sturman, 2009). Although merit pay is the most popular method of motivating employees to achieve improved performance, there are some who believe that merit pay is problematic because of the perceived ineffectiveness in producing the desired outcomes (Salimaki & Jansen, 2010). This may be due to the perceived implementation problems with a performance-based system. These problems relate to the subjective nature of appraisals, the bias that may be apparent within such systems, the difficulty in linking merit pay to an employee’s actual performance, available funding, and appropriate feedback mechanisms (Park & Sturman,

2009). Bonus pay is normally referred to as a monetary reward that is given to employees, firstly when the organization can afford to pay, and secondly in recognition of some or other goal or achievement (Park & Sturman, 2009). Bonus pay has to be earned every year and is normally in addition to an employee's fixed remuneration. It is not guaranteed, and does not contribute to the long term fixed cost of the organization as merit pay would. Under a pay-for-performance bonus plan, an employee is typically compensated for achievement of a predetermined target, stated performance criteria, or a predetermined threshold (Rost & Osterloh, 2009).

A study conducted in our neighboring country, Kenya on the "Effect of Reward on Employee Performance: A Case of Kenya Power and Lighting Company Ltd., Nakuru, Kenya" showed cash bonuses (i.e. financial reward) had no significant effect on employee performance. The findings of the study showed that cash bonus have no effect on employee performance ($p=0.8$). Those who had received and those who had not received cash bonus perceived it to affect their performance the same; hence concluded it did not have a significant effect on performance of employee (Njanja, Maina, Kibet & Njagi, 2013).

A study in the Kenyan Country Government studied on the title of "Influence of Compensation and Reward on Performance of Employees at Nakuru County Government" showed that there was a strong relationship between compensation and reward on employee performance in the county government of Nakuru. There was a weak positive relationship between compensation and reward and employee performance ($r=0.290$). The overall findings revealed appreciable influence of the compensation & reward on employee performance. The adopted pay strategy of basing compensation to knowledge was effective and had rippled the effects of motivating employees to further their studies which would in turn enhance employee performance (Njoroge & Kwasira, 2015).

In our country, Ethiopia, a study in Dessie town on four commercial banks (Commercial Bank of Ethiopia, Construction and Business Bank, Dashen Bank, and Wegagen Bank) showed many employees believed that the current compensation and benefit was not fair and banks need to cope-up with ongoing cost of life. Compensation and benefit packages were not periodically updated and evaluated for effectiveness. Furthermore, the existing benefits are not well communicated to employees. When employees are participating on compensation process banks need to take factors like market condition, nature of the jobs, competitors, government

regulations and also the internal factors like values of the job grades through job analysis. Some employees felt that organizations considering seniority than performance. They explained that there was great imbalance of salary payment and benefits between supervisor and clerical officer, this may affect the majority of employees' perception on compensation management system and benefit policy (Ponduri and Soudikar, 2016).

2.9 Conceptual Framework

In this chapter, various theories and empirical studies were discussed regarding motivation. In order to motivate its employees and bring the performance of workers to high level, it is the duty of the management of an organization to take these various theories in to consideration and apply them appropriately. Researchers such as Maslow and Porter have stated that employers should address the needs of the employees starting from the lower levels. In other words, employers should take into consideration the basic needs of the individual, since this is what would mostly motivate them to work harder. However, Herzberg states that satisfying the lower level needs of an individual such as the provision of food, shelter and security alone may not necessarily satisfy the individual; it is advised that both hygiene factors and motivation factors should be considered. Researchers have found out that employees are more motivated if they are challenged at work and they are provided with tasks that require more effort and more responsibility. Explains the extent in which dependent variable can be explained by the change in independent variables.

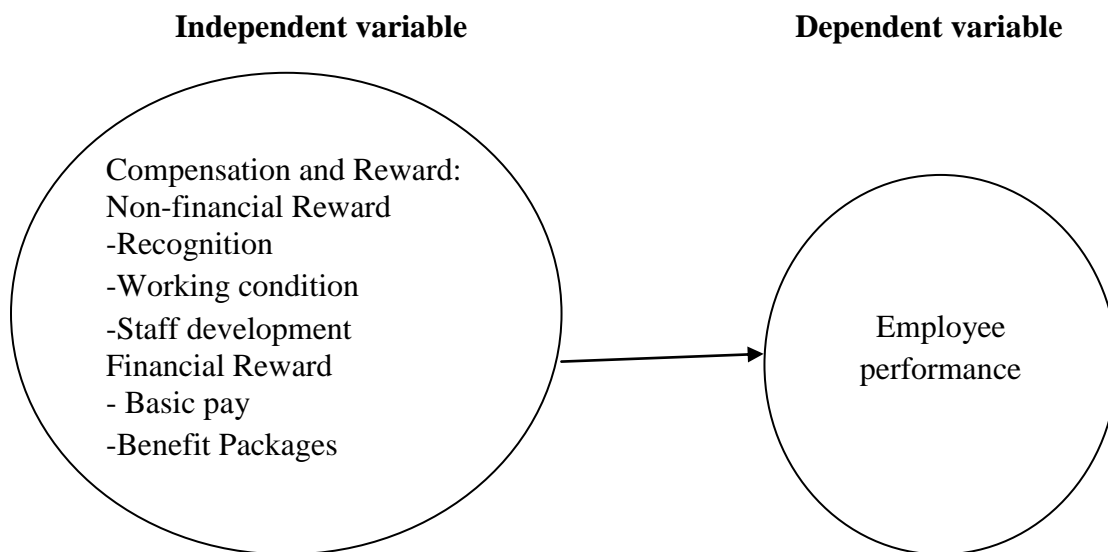


Figure 1: Conceptual Framework of the Research (Source: Sachu, 2012)

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Research Design and Approaches

Research design is a master plan specifying the methods and procedures for collecting and analyzing the required data. The choice of research design depends on predetermined objectives that the researchers want to achieve. According to Kotzlar et al., (2005), research design is defined as the plan and structure of investigation and the way in which studies are put together. Cooper et al. (2003) also define research design as the process of focusing on the researcher's perspective for the purpose of a particular study.

The study was used explanatory type of research design and descriptive design to identify the extent to which performance of employee towards compensation and reward system from a holistic perspective in its natural settings. To achieve the objective explanatory type of research design with both quantitative and qualitative approach method is employed. The explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Creswell, 2009). So that, in this study the explanatory research design is employed to examine the relationship of the dependent and independent variables. The rationale of using such a mixed approach in this is; some of the qualitative data for some variables in this study are not be described and manipulated numerically, that is why the study applied mixed research approach.

Descriptive research design for the demographic information and frequency and table was used to describe the result. In this study descriptive survey method was employed because it is chosen for appropriateness to the nature of the topic, which needs wider description, investigations of facts and information related to composition policy. Descriptive study is helpful when a researcher wants to look into a phenomenon or a process in its natural contexts in order to get its overall picture instead of taking one or some of its aspects and manipulating it

in a simulated or an artificial setting. Moreover, in order to achieve the intended objective, both quantitative and qualitative methods were chose.

3.2 Source of Data

The researcher was collected data from both primary data and secondary data. The primary data was collected from the respondents of the employee by using survey questionnaire. The questionnaire was prepared in the form of closed ended and as well as structured questionnaire of data collection was administer in the data collection. Because, this both methods of data collection permit the researcher to gather information within a minimum of time, at the low expense of money and effort, minimize interviewer bias and possible problems on the parts of the respondents which is important to obtain the needed information from the respondent. The secondary sources that were consider include: books, annual reports, manuals and published and unpublished document and other related materials.

3.3 Sample Size and Sampling Techniques

There are four branches to their grade levels have taken under Jimma District of CBE, there are around 93 branches. All branches perform similar tasks, and share the same role in achieving the Company's objectives. So, because of the homogeneity of those branches, the researcher was used simple random sampling to select sample district. Questionnaires were randomly distributed in all braches while the employees were leaving for lunch and collected after they finished their work before leaving their home. . After selecting the sample district, the researcher was used purposive sampling technique to select the branches. The branches under this district were differentiating in their grade level. Accordingly, since there are branches with grade level 1, 2, 3, and 4 and finally, since the willingness of respondents is very necessary, the researcher was used this technique because it helps to make an structure questionnaire to have the desired information with those individual participants on the basis of their skill and knowledge that they have towards the subject matter, working experience and ease of access.. There are around 3000 (in January, 2020) employee in Jimma District of CBE. And there are 93 branches in the District. For the purpose of this research, to get the total population of 3000 employee was used.

After getting the sample size the researcher was used purposive sampling technique to get those respondents .This is because the branches are classified by their grade level and the number of employee under such different branches varies accordingly. To determine the sample sizes that represent the study area is calculated using (Yamane Taro, 1967) sampling formula.

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

$$n=3000 / 1+3000 (0.05)^2$$

$$n=353$$

Where; “n” is the sample size, “N” is the population size and “e” is the level of precision. At 95% confidence level, degree of variability=0.05 and level of precision/sampling error= 5%.

The formula is adopted from (Yamane Taro, 1967). After getting the sample size the researcher used purposive sampling technique to get those respondents the formula adopts from (<http://stattrek.com>). This is because the branches are classified by their grade level and the number of employees under such different branches varies accordingly.

Stratified sampling formula:

$$nh = Nh/N * n$$

Where:

Nh= is the population size for stratum *h*

N=Total population size

n=sample size

nh= is the sample size for stratum *h*

Table 1: Sample size by using stratified sampling technique

Grade of branches	Number of branches	Number of employee	Total number of stratified sample
Grade 1	57	1128	1128/3000*353=132.8
Grade 2	23	457	457/3000*353=53.8
Grade 3	7	543	543/3000*353=63.9
Grade 4	6	872	872/3000*353=102.7

Total	93	3000	353
-------	----	------	-----

3.4 Data Collection Tools

The researcher was used unstructured questionnaire that was comprised of different questions to be administered directly to respondents. The questionnaire was different sections, ranging from the Bio data of the respondents to questions that help the researcher collect information/data about the subject at hand. There was a face-to-face interview between the interviewer (researcher) and interviewee (respondent).

3.5. Validity and Reliability

3.5.1 Validity

The questionnaire was subjected to face validity and content validity by the assistance of experts in the research method. Thus the pre-test was done before actual entrance of data collection. In deed necessary modification was made on the items and unclear questions were modified or remove from index.

3.5.2. Reliability

Reliability refers to the consistence, stability, or dependability of the data. A reliable measurement is one that if repeated a second time gives the same results as it did the first time. If the results are different, then the measurement is unreliable. To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was used (Mugenda 2008). Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization (Zinbarg 2005).

An alpha coefficient of 0.75 or higher indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of the respondents. The questionnaire was administered to a pilot group of 30 randomly selected respondents from the target population and their responses were used to check the reliability of the tool. The

overall Cronbach's alphas coefficients for expected scale item are 0.827. Therefore, the expected scales used in this study demonstrate high reliability.

3.6 Model Specification

A multivariate regression equation is set up to investigate the relationships between the dependent variable and the independent variables in this study.

According to Brooks, (2008), the general multivariate regression model with K independent variables can be written as follows:-

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + \varepsilon \quad (i = 1, 2, 3, \dots, n)$$

Where Y_i is the i th observation of the dependent variable, X_{1i}, \dots, X_{ki} are the i th observation of the independent variables, β_0, \dots, β_k are the regression coefficients, ε_i is the i th observation of the stochastic error term, and n is the number of observations. Hence, the employee performance can be modeled as described below:-

$$EP = \beta_0 + \beta_1(R) + \beta_2(WC) + \beta_3(SD) + \beta_4(BAP) + \beta_5(BEP) + \varepsilon$$

Where;

- β_0 is an intercept,
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5,$ and β_6 , represent estimated coefficient for specific bank i at time t ,
- EP: employee performance
- R: Recognition
- WC: Working condition
- SD: Staff development
- BAP: Basic pay
- BEP: Benefit Packages
- ε : Represents error terms for intentionally/unintentionally omitted or added variables. It has the characteristics of zero mean, constant variance and non- auto correlated.

3.7 Method of Data Analysis and Interpretation

After all the necessary data needed for the study are gathered the next step was analyzing and interpreting in a form of table, percentage and frequency, then this data presenting in a form of description. The data collect from different sources was process, analyzing and interpreting by

using statistical tools. The quantitative data was collect from the respondents, described and analyzed using statistic software called SPSS (Statistical Package for Social Science) version 20. The data was entered and coded into the SPSS spreadsheet to describe and analyze the results along with tables to present and discuss the results of the study. The researcher adopted multiple linear regression models to identify and measure possible factors that could effective the commercial bank compensation and reward as measured by employee performance. Furthermore, descriptive analysis, the Pearson correlation matrix analysis, and the regression analysis were conducted.

A descriptive statistical such as mean, frequencies and standard deviation was used to describe the profile of respondents, employee performance levels and effects of employee compensation and reward. Correlation test was used to determine the nature, direction and significance level of the relationship of compensation and reward with employee performance. And also Pearson correlation was to measure the degree of association between the variables under considerations. Regression is concerned with describing and evaluating the relationship between a given variable (usually called the dependent variable) and one or more other variables (usually known as the independent variables) (Brooks, 2008). Regression analysis was also carry out to determine the impact of compensation and reward system on employee performance.

3.8 Ethical Consideration

Permission to carry out the research was sought from the college of business and economics before the study is initiated. The respondent was made aware of the objectives and the general overview of the study. The respondents were also making aware that participation in the study did not warrant the many gifts, monetary or otherwise. However, they were informing that to search findings was use by the stakeholders and policy makers for the betterment of the compensation system. Their informed consent was sought by appending a signature in the respondent consent.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The point of this chapter is to present and discuss results of data obtained from method involved in this study. As stated in chapter one the broad objective of this study was to examine effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia jimma district. Further, as noted in the previous chapters (chapter one and three), in order to achieve the broad objective the study developed the assumption. It took the student researcher was obtain 353 questionnaires from the respondents to complete responses.

4.1 Demographic characteristics of the respondents

Table 1: Distribution of respondents by demographic characteristics (n = 353)

Variable		Frequency	Percentage (%)
Sex	Male	189	53.3
	Female	162	46.2
	Total	353	100
Age	Below 25	76	21.8
	26-35	192	52.2
	36-45	56	16.5
	Above 46	25	8.4
	Total	353	100

Work Experience	1-5	164	44.9
	6-10	111	30.4
	11-15	41	11.8
	16-20	17	5.5
	21-25	11	3.9
	above 26	9	3.4
	Total	353	100
Education level	Diploma	22	8.1
	Degree	258	70.3
	MA/MSc	71	21.3
	Total	353	100
Marital Status	Single	183	51.2
	Married	160	45.1
	Divorced	4	2.1
	widowed	2	.5
	Total	353	100
Salary Range	Below 6000	37	10.2
	60001-8000	116	33.6
	8001-12000	146	41.5
	12001-16000	44	12.5
	16001-25000	9	2.4
	Above 25000	1	.3
	Total	353	100

Source: Researcher's Survey, 2020

As I can see from the above table indicated that, male and female in CBE in Jimma district constitutes about 53.3% and 46.2% respectively which shows the samples taken represented male and female is relatively distributed on fairly basis.

According to the above table 1 , age category of the respondent shows highly dominated by youngsters between ages 26-35 which accounts more than half of the respondents (52.79%)

followed by 22.02% of the respondents are below age 25, while age group of 36-45 and above 46 constitutes 16.71% and 8.49% respectively. This indicates that most of the employees are young and highly implies the bank employment trend focuses on new and young employees.

Regarding to the employee education qualification, the above table 1, clearly indicated that majority of the work forces (70.53%) acquired their first degree and Master degree holders constitute 21.32% of the respondent while the rest 8.16 % of the respondents are Diploma holders. This shows that majority of the employees are degree holders because the company adopted a recruitment policy of young fresh graduate and a minimum of bachelor degree is required to join the workforce of the bank.

The management staffs accounts 20.05% and professional employees' represented by 79.95%. Categorizing the employees in such a way helps the researcher to determine whether the performance of the employees vary from the management and the professionals.

Majority of the respondents (44.9%) joined the bank as new comers for the company from the last five years and 30.4% of the respondents spent their employment time for 6-10 years with the organization. There are also employees who served the bank for 11-15 years and are about 11.8% and 5.5% of the employees served for 16-20 years working in the bank. 3.9% and 3.4% of the respondents served the bank and spent their life with the bank for 21-25 and above 26 years respectively working for the company. Therefore, the sample is more of from employees that joined the bank in the last five years.

Since most of the employees of the bank are youngsters, the above table shows almost half of the employees are single about 51.2% while 45.1% of the respondents are married. Unluckily, there are 2.1% and 0.5% of the employees are divorced and widowed respectively. Since marital status has its own impact on employee performance, the researcher has accessed this result for comparison between their statuses.

The salary range of the employee indicated most of the respondent's (41.47%) salary ranges from ETB 8,001-12,000 while 33.60% of the employees earn a salary of between ETB 6,000-8000. Employees of the bank which account about 10.24% earn a salary of below ETB 6,000.00 and relatively high paid employee's salary ranges from ETB 12,000-16,000, who are management and administrative staffs, constitute 12.07% of the respondents. There are

employees who earn a salary of between ETB 16,000-25,000 and above 25,000 which accounts 2.36% and 0.26% of the employees. Therefore, comparing the salary of the employee helped us to compare the performance of the employees since it is part of the reward.

4.2. Data Analysis

4.2.1 Analysis of Financial reward

Table 2: Descriptive Statistics of Financial Reward

Characteristics	N	Mean	Std. Deviation
I'm satisfied with the current salary scale of the bank for the job I'm doing now	353	2.22	1.089
the bank salary is competitive compared to other companies in Eth.	353	2.55	1.261
My salary is based on the current market & is enough to satisfy my basic needs	353	1.81	.936
Annual salary increment and adjustment is fair & reasonable	353	2.16	1.094
Bonus scheme of the bank is motivating to increase employee performance	353	3.65	1.163
Overtime payment in the bank is reasonable & initiates for high performance	353	1.88	1.004
Medical benefits are easily accessible & offer satisfactory health care services	353	3.92	1.094
Fuel allowance fully covers my transportation expenses	353	3.73	1.101
Housing allowance covers my rent fully	353	1.48	.716
Mortgage loan offered by the bank is a motivating to buy the property that satisfies my need in the market	353	3.27	1.435

(Source: Researcher's Survey)

From the above table indicated that, the highest mean score of $M=3.92$; $SD=1.094$ was for the medical benefits of the bank are easily accessible & offer satisfactory health care services for its employee. Furthermore, fuel allowance, bonus scheme and mortgage loan offered by the company relatively have a high mean value of $M=3.73$; $SD=1.101$, $M=3.65$; $SD=1.165$, &

$M=3.27$; $SD=1.1435$ respectively. This showed benefit packages such as fuel, bonus scheme and mortgage loan are encouraging for the employees. However, housing allowance with the lowest mean $M=1.48$; $SD=0.716$ has dissatisfied the employees followed by the salary of the employee has not considered the current market as the mean value is $M=1.81$; $SD=0.936$ and the employee do not agree with the overtime payments of the company as $M=1.88$; $SD=1.004$. More importantly, the bank employees are not satisfied with their current salary scale (the mean is $M=2.22$; $SD=1.089$) and they do not believe the annual salary increment and adjustment is fair and reasonable ($M=2.16$; $SD=1.094$) which made them their employer's salary scale is barely competent compared to other companies ($M=2.55$; $SD=1.261$). Therefore, employees of the bank are highly satisfied with the benefit packages of the company particularly on fuel allowance, cash bonus and mortgage loan. However, they are not satisfied with the housing allowance, over time payment and salary scale of the company.

Since the Mean (M) values of the above variables ranges from a positive lowest mean value to a highest mean values of ($M=3.92$ and 1.48) respectively there is a positive relationship among the variables and employee performance. An increase in one variable (independent variable) will increase weakly or strongly the employee performance (dependent variable) depending the mean values of the independent variable. For instance, in the above table, if there is an increase of medical benefits ($M=3.92$) available, there is an increase in employee performance. Therefore, there is a strong relationship between medical benefits and employee performance.

4.2.2. Analysis of Non-financial reward

Table 3: Descriptive Statistics non-financial

Characteristics	N	Mean	Std. Deviation
There are best opportunities for career	353	3.12	1.236
Staff development has helped me to do my task	353	2.90	1.211

I'm empowered to give decisions in my work place	353	2.90	1.157
I'm free from pressure & criticism	353	2.71	1.171
The bank recognizes on time for employees who deserves recognition	353	2.74	1.058
There is fair and equitable promotion and growth	353	2.65	1.106
I'm happy that the bank invests on human capital to upgrade	353	3.40	1.095
My organization has safe work environment	353	3.44	1.154
I'm happy with the culture of my work place and social life	353	3.94	.963
A good sprit of team work	353	3.94	1.006
There is clear rules and procedures	353	3.87	1.177
When employees face problems, the MGT fixes	353	2.65	1.057
I am always interested doing my job	353	3.95	.969

(Source: Researcher's Survey)

Unlike the financial reward, the non-financial compensation and reward system of the bank was relatively having a high mean value. The minimum mean value for the non-financial variables were $M=2.65$ which show employees face problems while the maximum mean $M=3.95$ which shows employees of the bank are relatively satisfied on the non-financial compensation program. The table also shows the employees interested doing their job and their team spirit is high ($M=3.95$ & 3.94). However, the respondents doubted the fairness of the growth and promotion ($M=2.65$; $SD=1.106$). In addition to this, the management's responsiveness towards the employees problem is average ($M=2.65$; $SD=1.057$). Overall, the minimum and maximum means were ($M=2.65$ & 3.95) which is moderate and strong respectively which means if there is a moderate and high increase in the independent variables, there will be a moderate and strong relationship between the independent and employee performance respectively. Likewise an increase in one variables of the independent variable will increase the dependent variables positively.

4.2.3. Analysis of Employee Performance

Table 4: Descriptive Statistics Employee Performance

Characteristics	N	Mean	Std. Deviation
I enjoy my tasks and the division of work approach	353	3.39	1.188
I am always committed to the mission and vision	353	4.00	.923
I love my work	353	4.02	.978
I cooperate well with my colleagues in office	353	4.13	.775
My Performance level has effect on my salary	353	2.25	1.125
I am given a chance to apply my own methods	353	2.45	1.229
I am given an opportunity to improve my performance through learning more skills	353	3.47	1.130
Employees with higher education qualification perform better than lower qualification	353	2.43	1.204
I feel my Performance contributes for the growth of my organization	353	4.14	.902

(Source: Researcher's Survey)

As I see from the above table 4, the minimum mean value ranges from M=2.25 to 2.45 while the maximum mean ranges from M=3.39 to 4.14. I can see that the performance of the employee weakly affected their salary (M=2.25; SD=1.125). The employee have a moderate chance of applying their own methods (M=2.45; SD=1.229) and education qualification moderately affected their performance (M=2.43; SD=1.204). Therefore, when I look at the aggregate result, the employees of the bank are a high performer. The employees love their work, committed to the mission and vision of the organization and contributes for the growth of the organization since it has a high mean value of (M=4.02, 4.00 and 4.14) respectively. This shows that there is a strong positive relationship between the independent variables and the dependent variable that is employee performance.

4.3. Analysis of coefficient correlation of Financial & Non-financial and Employee Performance

Table 5: Correlations

		Basic Pay	Benefit Packages	Staff Development	Recognition	Working Condition	Employee Performance

Basic Pay	Pearson	1	.453**	.406**	.330**	.323**	.233**
	Correlation						
	Sig.(2-tailed)		.000	.000	.000	.000	.000
	N	353	353	353	353	353	353
Benefit Packages	Pearson	.453**	1	.321**	.219**	.390**	.224**
	Correlation						
	Sig.(2-tailed)	.000		.000	.000	.000	.000
	N	353	353	353	353	353	353
Staff Development	Pearson	.406**	.321**	1	.368**	.319**	.353**
	Correlation						
	Sig.(2-tailed)	.000	.000		.000	.000	.000
	N	353	353	353	353	353	353
Recognition	Pearson	.330**	.219**	.368**	1	.241**	.314**
	Correlation						
	Sig.(2-tailed)	.000	.000	.000		.000	.000
	N	353	353	353	353	353	353
Working Condition	Pearson	.323**	.390**	.319**	.241**	1	.412**
	Correlation						
	Sig.(2-tailed)	.000	.000	.000	.000		.000
	N	353	353	353	353	353	353
Employee Performance	Pearson	.233**	.224**	.353**	.314**	.412**	1
	Correlation						
	Sig.(2-tailed)	.000	.000	.000	.000	.000	
	N	353	353	353	353	353	353

** . Correlation is significant at the 0.01 level (2-tailed).

(Source: Researcher's Survey)

According to the above correlation table 5, there is a weak but statistically significant relationship between basic pay and employee performance in the bank ($r = 0.233$, $p < 0.01$). It also showed there was weak but statistically significant relationship between benefit packages and employee performance in the bank ($r = 0.224$, $p < 0.01$). The table also showed there was a moderate and, statistically significant positive relationship between recognition and employee

performance in the bank ($r = 0.314$, $p < 0.01$) in the bank. There is relatively moderate and statistically positive relationship between staff development and working condition with employee performance in the bank ($r=0.353$ & $r=0.412$, $p < 0.01$) respectively.

4.4. Regression Analysis of the result

The following regression outputs the beta coefficient may be negative or positive; beta indicates that each variables level of influence on the dependent variable. P-value indicates at what percentage or precession level of each variable is significant. R square values indicate the explanatory power of the model and in this study.

Regression and correlation are closely related. Both techniques involve the relationship between two variables, and they both utilize the same set of paired scores taken from the same subjects. However, whereas correlation is concerned with the magnitude and direction of the relationship, regression focuses on using the relationship for prediction. In terms of prediction, if two variables were correlated perfectly, then knowing the value of one score permits a perfect prediction of the score on the second variable. Generally, whenever two variables are significantly correlated, the researcher may use the score on one variable to predict the score on the second (Robert Ho, 2006).

Since from the correlation analysis I found that the financial and non-financial have significant relationship with employee performance though it is weak and moderate relationship in the bank. Then, to find out how significantly it affects the employee performance a regression analysis was conducted.

4.4.1. Regression Analysis of Financial Reward on Employee Performance

Table 6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.248	.129	.159	.486

a. Predictors: (Constant), Financial Reward

A measure of the strength of the computed equation is R-square, sometimes called the coefficient of determination. R-square is simply the square of the multiple correlation coefficients R in the

Model Summary (See table 6 above), and represents the proportion of variance accounted for in the dependent variable (employee performance) by the predictor variable (financial reward). As I can see from the above table, the correlation coefficients are 0.248, and the R-square is 0.62. Thus, the predictor variables of the financial reward have shown 6.2% of the variance in the dependent variable (employee performance). Therefore, The Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable, from the findings in the above table the value of adjusted R squared was 0.059, an indication that there was variation of 5.9 % on employee performance due to changes in financial rewards at 95% confidence level. Hence, 24.8 % of employee performance explained by financial rewards.

Table 7 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.877	1	5.877	24.912	.000
	Residual	89.404	354	.236		
	Total	95.281	353			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Financial Reward

The ANOVA table above, presented results from the test of the null hypothesis that R-square is zero. An R-square of zero indicates no linear relationship between the predictor and dependent variable. The ANOVA table showed that the computed F statistic is 24.912, with an observed significance level of less than 0.001. Thus, the null hypothesis financial compensation and rewards have no significant relationship with employee performance is rejected.

Table 8 Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(constant)	2.744	.126		21.703	.000
1	Financial rewards	.215	.043	.248	4.991	.000

a. Dependent Variable: Employee Performance

The Coefficients table above shows that the standardized Beta coefficient between the predictor variable financial reward and the dependent variable employee performance. The Beta coefficient is positive and statistically significant at the 0.001 level. Thus, the more the company offers the financial reward, the better performance of the employee, Beta = 0.248, t = 4.991, p < .001. Since the predictor value is one, the standardized Beta Coefficient (0.248) is the same as the multiple R coefficients. Therefore, A unit increase in the financial reward will increase performance by 0.215 other things remain constant.

4.4.2. Regression analysis of non-financial and employee performance

Table 9 modal summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.483	.133	.221	.439

a. Predictors: (Constant), Non-Financial Reward

As I can see from the above Table 9, the correlation coefficients are 0.483, and the R-square is 0.233. Thus, the predictor variables of the non-financial reward have shown 23.3% of the variance in the dependent variable of employee performance. From the findings in the above table the value of adjusted R squared was 0.231, an indication that there was variation of 23.1% on employee performance due to changes in financial rewards at 95% confidence level. Therefore, 48.3% of employee performance was explained by non-financial rewards.

4.4.3. Regression Analysis of Financial and Non-financial Compensation and Rewards with Employee Performance

Table 10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.484	.234	.230	.439

a. Predictors: (Constant), Nonfinancial Reward, Financial Reward

From the above table, it showed that offering both the financial and non-financial rewards (total rewards) explained 23% variance in the dependent variable. Performance explained 48.4% by total rewards. Therefore, the null hypothesis total rewards have no impact on employee performance rejected.

Table 11 Coefficients

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Constant	2.111	.133		15.827	.000
Financial rewards	.027	.044	.031	.604	.000
Non financial rewards	.370	.040	.469	9.221	.000

a. Dependent Variable: Employee Performance

From the above regression table, it was found that holding financial and non-financial rewards to a constant zero, employee performance will be 2.111, a unit increase in financial rewards will increase employee performance by 0.027. Likewise, an increase in non-financial rewards will lead to increase in employee performance at commercial bank of Ethiopia at the district by 0.370 other things remain constant.

4.5. Results of the Findings

The purpose of this section is to discuss the results obtained from the primary and secondary data using document review and semi-structured. This section deeply discuss the relationship between employee performance and such factors as basic pay, benefit packages, staff development, recognition, working condition and employee performance, as discussed earlier from the variables, the secondary data of five variables are analyzed by using (Statistical Package for Social Science)

version 20with respective parties. The subsequent discussions present the analysis of results in respect of those factors in an orderly manner.

4.5.1Financial compensation and reward have a significant relationship with employee performance

There was a weak and statistically significant relationship between financial compensation and reward with employee performance ($r = 0.248$, $p < 0.01$). Although it showed a weak strength, but it has a positive relationship. It means that if there is an increase in compensation and reward, then employee performance also increase weakly. So, there is direct relationship. Therefore, the null hypothesis financial compensation and rewards have no significant relationship with employee performance was rejected and the alternative hypothesis was accepted.

4.5.2Non-financial compensation and rewards have a significant relationship with performance

There was moderate and significant relationship between non-financial and employee performance in the bank ($r = 0.483$, $p < 0.01$). The non-financial compensation and rewards and employee performance has a positive relationship which means if there is an increase in the non-financial compensation and rewards, then employee performance also increase moderately. Therefore, this hypothesis was accepted & the null hypothesis was rejected.

4.5.3Financial compensation and rewards are a more motivating factor to increase the employee performance than non-financial

Since the financial rewards relationship with the employee performance was weak ($r=0.248$, $P< 0.01$) and less than the non-financial ($r=0.483$) which is moderate, then, the non-financial rewards were a more motivating factor than the financial one in the case company. Therefore, the null hypothesis of this was rejected & the alternative was accepted.

CHAPTER FIVE

5. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Based on the finding of the study conclusions were drawn and possible recommendations were forwarded. Accordingly, the first section presents the summary of major finding part, second section presents conclusion part and the third section presents the possible recommendation.

5.1. Summary of the major findings

Financial compensation and reward of the bank such as fuel allowance, bonus scheme, mortgage loan and medical benefits offered by the company relatively have a high mean value $M=3.73$, $M=3.65$, $M=3.27$ and $M=3.92$ respectively and also housing allowance with the lowest mean $M=1.48$; has dissatisfied the employees . Therefore, employees of the bank are highly satisfied with the benefit packages of the company particularly on fuel allowance, cash bonus and mortgage loan. However, the employees are not satisfied with the salary scale of the organization, over time payment and housing allowance indicating the employees are dissatisfied. The non-financial compensation and reward system of the bank relatively have a $M=3.95$ high mean value compared to the financial which showed employees of the bank are satisfied on the non-financial compensation program of the bank. Overall performance of employees in the bank was high and the performance of the employee is weakly affected by their salary. The employees of the bank love their work, committed to the mission and vision of the organization and contributed for the growth of the organization. Therefore, when I look at the aggregate result, the employees of the bank were a good performer. The correlation analysis explained that there was a weak but statistically positive significant relationship between basic

pay and benefit packages with employee performance in the bank. It also showed that recognition, staff development and working condition have a moderate positive relationship with employee performance in the bank. The correlation analysis also showed weak and statistically significant relationship between financial compensation and reward with employee performance. It means that if there was an increase in compensation and reward in the bank, employee performance also increases. There was a moderate and significant relationship between non-financial and employee performance in the bank. The non-financial compensation and rewards and employee performance has direct relationship which means if there was an increase in the non-financial compensation and rewards, then employee performance also increase moderately. Financial rewards relationship with the employee performance was weak and was lower than the non-financial. Hence, non-financial rewards were a more motivating factor than the financial one in the case company. Employee performance of the bank was significantly affected by total rewards the mean values are positive in both cases. The regression analysis conducted indicated that the financial and non-financial rewards have a significant effect on employee performance. The variables of the financial rewards have shown a 6.20% variance in the dependent variable which is employee performance in the bank. In addition, the non-financial compensation and reward affected employee performance by 23.3%.

5.2. Conclusions

Based on the findings of this research, the following major conclusions were drawn based on the results obtained. .

The banks employees' performance was found to be a good performer. Financial compensation and rewards of the bank offering was not adequate for the employees and the non-financial compensation and rewards offered by the bank were very encouraging for the employees. .

Based on this study, the bank developed effective non-financial compensation and rewards. However, the financial rewards of the bank were not effective to improve the employees' performance.

There was a total reward approach in the bank. However, the extent and the benefit packages attached to the total rewards are not satisfactory for the employees. An increase in financial and non-financial reward rewards will also increase employee performance in Commercial Bank of Ethiopia.

There was statistically positive significant relationship between basic pay, benefit packages, recognition, staff development and working condition with employee performance in the bank. Moreover, both financial and non-financial rewards have significant relationship with employee performance in commercial bank of Ethiopia in Jimma district. However, the significance level of the financial compensation and reward on employee performance is weak and statistically significant positive relationship.

5.3. Recommendations

Based on the conclusions drawn in the previous section the researcher has recommended the following:

- Employees are the most valuable asset for every organization because it is the employees who make the organization to fall and rise. Therefore, organizations need to cope up with needs of the employee so as to motivate them by designing effective compensation and rewards. If employees' needs are not fulfilled and dissatisfied by the rewards of their employers, they will look other opportunities for better job. This is a burden for organization since employee turnover increases the cost of hiring, training new staffs.
- The bank needs to consider current financial compensation and reward system as the study indicated employees satisfaction is below average. This hugely affects employee performance. The bank is the biggest bank in Ethiopia in financial strength, market share stretched across the country. However, the study indicated that the compensation and reward compared to other companies are an average. This implies there are other companies offering better benefit packages even having the least market share in the country. Therefore, the bank has to design effective compensation and reward system to improve employee performance even by making the employees to that of employee engagement level.
- The bank has to develop other forms of benefits like insurance payment, extra cash payment other than bonus based on performance, and cost of service like subsidized cafeteria and so on. Unlike pay for performance, most benefits are available to workers as long as they are employed by the organization regardless of their performance. Therefore, the bank should

link the compensation and rewards system with the employees' performance to create fairness.

- Managers should use feedback mechanisms from the employees and other stakeholder to adopt which motivational measures to use. Managers should employ both the intrinsic and extrinsic motivations in order to get the best results from their employee.
- The bank should ensure the provision of good welfare packages with a good policy system that will encourage and promote employees performance. The pay should continue to be competitive with the banking industry standards and efforts should be made to offer even better pay to avoid losing the developed human forces.

REFERENCE

2006. *inside the Workplace*, London: Routledge.

and individual earnings profile. The Organisation of Labour within Firms: Labor annual meeting of the Midwest Political Science Association (MPSA), April 12 -15, 2007, in Chicago, Illinois.

Armstrong, M. & Brown, D. 2001. *New Dimensions in Pay Management*, London: CIPD
Benefits Review 42: 3.SAGE.

Benefits Review, 41: 5 .SAGE.

Corby, S.,Palmer, S. &Lindop.E. 2009. Trends and tensions: an overview.
Rethinking reward. *Management, Work, Organisations*. New York: Palgrave
Macmillan.

Davis, T.J. 2007. *Strategic Compensation: Utilisingefficiency Wages in the Public*

Dohmen, T.J. 2004. Performance, seniority, and wages: Formal salary, systems
Economics: Volume 11, Issue 6, Pages 741-763.

Giancola, F.L. 2009. Wage Rigidity During Recessions. *Compensation & Benefits*.
Review,41: 27

Gomez-Mejia, L. R., &Balkin, D. B. (2006). *Compensation, organizational*

Gomez-Mejia, L. R., Larraza, M., &Makri. M. (2003). The determinants of CEO
compensation in family controlled public corporations. *Academy of
Management Journal*, 46, 226–237.

Gomez-Mejia, L., Berrone, P., & Franco-Santos, M. 2010. Compensation and
Hansen, F. 2009. Currents in Compensation and Benefits. Compensation &
Hansen, F. 2010. Currents in Compensation and Benefits. Compensation &
Heneman, R. L. (1992). Merit pay: Linking pay increases to performance ratings.
Heneman, T. 2011. Pay ‘philosophy’ could prompt workers to stay. Workforce
Kersley, B., Alpin, C., Forth, J., Bryson, A., Bewley, H., Dix, G., & Oxenbridge, S.
Management, 15475565, Vol. 90, Issue 3.
Organisational Performance: Theory, Research, and Practice. M.E. Sharpe, Inc.
Reading, MA: Addison-Wesley.
Sector to Achieve Desirable Organizational Outcomes. Prepared for delivery at the
strategy, and firm performance. Cincinnati, OH: South-Western Publishing.

APPENDIX

JIMMA UNIVERSITY

COLLEGE BUSINESS AND ECONOMICS

MBA IN BUSINESS ADMINISTRATION

Dear Sir/Madam,

Request for participation in a research study was the effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia jimma district.

I am Sori Danbi and MBA student at Jimma University. I am currently undertaking a research on “effect of compensation and reward system on employee performance in the case of commercial bank of Ethiopia jimma district, to participate in providing the required information. All the information provided was used purely for academic purposes only and was treated with utmost confidentiality. Kindly contact me in case of any queries or clarification on any of the questions.

Part 1: General Demographic Information

Please circle the alternative that most closely represents your personal information:

1. Gender: 1) Male 2) Female

2. Age: 1) Below 25 2) 26-35 3) 36-45 4) Above 46

3. Education level:

1) Diploma 2) Degree 3) MA/MSc 4) PHD 5) Other

4. To which group your employment type belongs?

1) Professional 2) Administrative

5. How long have you served in the bank? (Work experience in years)

1) 1-5 2) 6-10 3) 11-15 4) 16-20 5) 21-25 6) above 26

6. Marital status: 1) Single 2) Married 3) Divorced 4) Widowed

7. In which of the following does your monthly salary range fall in?

1) Below ETB 4,000 2) 4,001-6,000 3) 6,001-10,000

4) 10,001-15,000 5) 15,001-25,000 6) Above 25,001

Part-2: Overall Employee Opinions

The following questions are prepared on a 5 five point Likert Scale. If the item indicated strongly matches with your response choose number 5 and if you completely disagree with the item choose number 1. This is to know how you feel about the compensation and reward system of the bank. Be honest and give a true picture of your feelings.

(1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

No	Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	I'm satisfied with the current salary scale of the bank for the job I'm doing now.					
2	the bank's salary is competitive compared to other companies in Ethiopia.					
3	My salary is based on the current market and is enough to satisfy my basic needs.					

4	Annual salary increment and adjustment is fair and reasonable.					
5	The bonus scheme of the bank is a motivating to increase employee performance.					
6	The overtime payment in the bank is reasonable & initiates for high performance.					
7	Medical benefits are easily accessible and offer satisfactory health care services.					
8	My fuel allowance fully covers my transportation expenses.					
9	Housing allowances covers my rent fully.					
10	Mortgage loan offered by the bank is a motivating to buy the property that satisfies my need in the market.					
11	There are best opportunities for career development in my organization.					
12	Staff development has helped me to do my task very effectively.					
13	I'm empowered to give decisions in my work place.					
14	I'm free from pressures & criticism from immediate supervisors/manager.					
15	The bank acknowledges and recognizes on time for employees who deserves formal recognition for their performance.					
16	There is fair & equitable promotion and growth opportunity in the bank.					
17	I'm happy that the bank invests on human capital to upgrade the employee's skill & knowledge.					
18	There is total reward approach in the bank to increase the employee performance.					

19	My organization has a safe work environment and job security.					
20	I'm happy with the culture of my workplace and social life.					
21	A good sprit of team work and helping each other is the best practice of my work place.					
22	There is clear rules and procedures for every aspects of my job.					
23	When employees face problems, the management fixes the issue on time.					
24	There are too much work overloads that bothers me					
25	I am always interested doing my job effectively and efficiently.					

26. In another opinion, how do the above aspects of compensation and reward system of the bank?.....

Part-3: Measures of Employee Performance

Here are items that help to measure employee performance. Please give them a rank based on a five point Likert Scale. Select No. 1 if you are strongly disagrees with the statement and 5 if you are strongly agree with the statement.

(1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

No	Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1	Enjoy my tasks and the division of work approach.					
2	I am always committed to the mission and vision of my organization.					
3	I love my work and I am motivated					

	to complete the tasks that are assigned to me always.					
4	I cooperate well with my colleagues in office.					
5	My performance level has direct effect on my salary level.					
6	I am given a chance to apply my own methods.					
7	I am given an opportunity to improve my performance through learning more skills.					
8	In my organization employees with higher educational qualifications perform better than those with lower qualification.					
9	I feel my performance contributes for the growth of my organization.					

10. In another opinion, how do the above aspects of measure of employee performance?.....
.....

Thank you for your cooperation

