

**IMPACT OF COMPENSATION MANAGEMENT PRACTICE ON  
EMPLOYEES' PERFORMANCE OF SELECTED BANKS IN DELTA  
STATE**

**BY**

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**DELTA STATE UNIVERSITY ABRAKA**

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B.Sc. Business Administration DELSU**

**BEING AN M.Sc. DISSERTATION PRESENTED TO THE FACULTY OF THE SOCIAL  
SCIENCES, DELTA STATE UNIVERSITY, ABRAKA.  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD  
MASTERS OF SCIENCE (M.Sc.) DEGREE  
IN BUSINESS MANAGEMENT**

## CERTIFICATION

This is to certify that OBIEZE, Ewere Success carried out this M.Sc. research work under my supervision in the Department of Business Administration, Faculty of Social Science, Delta State University, Abraka.

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HOD

\_\_\_\_\_  
Date

## **DEDICATION**

This work is dedicated of God Almighty

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## **ABSTRACT**

The general objective of the study is to determine the influence of compensation management practice on the employee's performance in selected Banks in Asaba, Warri, Sapele and Ughelli, Delta State. The main research instrument used for the study was questionnaire. Cross sectional research design was employed. The population of the study comprises of 700 employees of selected Banks, while a sample size of 255 was derived using Taro Yamani's formula but 253 was returned and used for analysis. The reliability for the questionnaire showed a Cronbach Alpha value above 0.8 for all the constructs. Simple regression was used to test the hypotheses with the aid of Stata version 13 software. Correlation analysis showed that the constructs were positively correlated. Single regression was conducted to the formulated hypotheses and post regression diagnostics test were carried out to certify the regression model. The study finds that: Recognition has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.587,  $p = 0.000$ ). Pay has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.551,  $p = 0.000$ ). Bonuses/allowances/allowance has a significant effect on employees performance in selected banks in Delta State.(Coef. = 0. 0.609,  $p = 0.000$ ). Fringe benefit has a significant effect on employees' performance in selected banks in Delta (Coef. = 0.692,  $p = 0.000$ ). An overall compensation policy has a significant effect on employees' performance in selected banks in Delta ((Coef. = 0.112,  $p = 0.016$ ). The study concluded that fringe benefit is one of the ways to promote and retain an employee in the organization and management should be able to sense the active employees and create ways of appreciating the employee's effort put into action in the organization. The study provided that recognition is a form of compensation which boosts employee's performance in the banking sector.

## **CHAPTER ONE**

## INTRODUCTION

### 1.2 Background to the study

In the global world of today, for any organization to have competitive edge amidst her competitors, there must be in place a formidable compensation strategy to attract, motivate people to join the firm (Amue and Igwe,2014). This should also reduce the turnover intent from the employees. The need for organizations to develop a programme that will facilitate employees' performance-enhancing system leading to the best management and development of employees and thus increase their competitive advantage has made the links between human resource management and organizational performance a prominent issue in the field of human resource management across the core functional areas of human resource practices (Bernadin 2005). These practices range from staffing, performance appraisals, training and development, manpower planning, workers management participation and compensation management.

Compensation Management is one of the most complex and dynamic issues in the field of human resource management. For an organization to achieve its stated objectives, there is the need to effectively manage the human resources aspect of the organization, taken into cognizance one of the core aspect of resource management known as compensation management (Bernadin 2005). The ability of a manager to achieve its stated objectives to a large extent depends on the effective implementation of compensational packages in order to motivate the subordinates and employees within and beyond their expectation.

Compensation management has always been a major mechanism affecting the decision of job applicants and employees of organizations and it has encouraged organizations to execute their strategies, which in turn secure competitive advantage against other major competing

organizations (Heneman, Judge and Heneman., 2000). Also, a huge amount of financial resources are invested on designing, organizing and managing organizational compensational system.

Despite its prominent role to the success and development of the firm, scholars and even practitioners have lamented that there is a slow pace in the advancement of compensation research in the form of stagnancy and under representation (Henderson, 2006). In recent times, the design, delivery and use of compensation management have undergone major shifts that are dramatic in nature, and this has reflected the motivational aspect in the employee performance that invariably lead to organizational performance (Heneman et al, 2000). The issue of compensation management is an apparatus, which affects the decision of job applicants and employees within the organization. It has encouraged organizations to implement firm's style that enhances their aggressive gain over their main competitors in the industry (Heneman et al, 2000). Furthermore, a lot of monetary resources are invested in crafting, organizing as well as administering organizational remuneration arrangement.

Compensation management is a useful instrument in the hand of management to contribute to the employees' performance and can impact positively on the behaviour and productivity of employees (Amstrong, 2008; DeNisi and Griffins 2008). Compensation management determines the hiring retention of employees to attain the objectives of an organization, and is the basis of involvement of individuals to reinforce the performance of employees (Amstrong, 2008). Compensation management is, therefore, a major factor in attracting and retaining staff. A skilled and stable workforce enables organizations to successfully implement their strategies to gain competitive advantage over competing organizations (Heneman et al. 2000; Ivancevich 2004). While substantial financial resources are invested in designing, organizing and managing compensation systems and despite their prominent role in determining the success and

development of the firm, scholars and practitioners have lamented the slow pace of research on compensation management specifically (Heneman et al. 2004). The design, delivery and use of compensation management have undergone major shifts to accommodate the motivational aspect of employee performance that promotes improved organizational performance (Heneman et al. 2000; Armstrong, 2008).

Compensation is one of the key drivers of motivation because humans are naturally inclined to perform better when they perceive that they will get sufficient payment or returns from their efforts. While people exert effort for different reasons, today's competitive economic environment coupled with the consumer society has made compensation arguably the most important motivation factor. Most people are motivated by money at least for their basic needs and wants.

Compensation in any form is the most obvious extrinsic reward; it provides the carrot that most people want. (Armstrong, 2008). DeNisi and Griffins (2008) defines compensation as the set of rewards that organizations provide to individuals in return for their willingness to perform various jobs and tasks within the organization.

Motivation has also been defined as the act of stimulating someone to take desired course of action (DeNisi and Griffins, 2008) and that motivation as the stimulation of action towards a goal, whether the stimulus is conscious or unconscious. Motivation theory examines the process of motivation, it explains why people at work behave in the way they do in terms of their efforts and directions they are taking. The aim in understanding and applying motivation theory is to obtain added value through people (Armstrong, 2008), the other key reason is about getting people to move in a certain desired direction to achieve a result (Armstrong, 2008) and that when discussing motivational theories argues that different people have different view when it comes to motivation which ranges from rational-economic view, social view, self-actualizing view and

complex view. (DeNisi and Griffins, 2008) explains that understanding of motivation is important within the reward and development of reward strategies for it enables organization to humanize work for employees, make the jobs more satisfying, and finally it enable the management to control the behavior of subordinates more effectively. Maintaining highly motivated employees is therefore a strategic move to keep employees committed to working hard and ultimately contributing their optimal capability towards achieving the organization's goals (Barton, 2002) and that motivation differs depending on whether you are motivating an individual, a team or a large group of people.

On the other hand, according to Amstrong (2008) de-motivated employees exhibit signs of low morale, this can have destructive implications in the organization. Amstrong (2008) continues to say that among the more significant warning signals of de-motivated employees are high rates of absenteeism, tardiness, high levels of employee turnover, sabotage, low pride in their work, wastage, low job satisfaction, endless grievances, indiscipline and lack of team spirit (Armstrong, 2008). In order to curb these and other problems that can escalate into more serious crises in the organization, de-motivation should be detected early and necessary actions taken, these may include counseling of de-motivated employees, clearly explaining their roles, responsibilities and rewards and ensuring their expectations match those of the organization.

Key factors that determine employee motivation are satisfaction, recognition, appreciation, inspiration and compensation (Siemsen, Balasubramanian & Roth, 2007). Organizations that recognize the importance of motivating employees often implement strategies that consistently motivate their employees to achieve the organizations objectives. Such strategies for improving motivation include compensation, employee participation, feedback and work environment which ensure that employees' needs and requirements are met (Siemsen, et al., 2007) and argues that

the thought of incentive is in itself motivational, in fact most motivation comes from anticipation than the delivery of the incentive itself.

## **1.2 Statement of the Research Problem**

The cost of doing business in Nigeria is so high and firms have observed that greater percentage of their cost is staff cost. Most firms cannot afford to spend their hard earned profits on those that are contributing little or nothing to their profit. Servicing firms are not charitable organizations and every staff must add value and must earn his/her basic pay. They must justify their continuous stay with the organization. Hence, servicing firms are investigating best ways to effectively manage its employees for effective performance.

According to the then governor of the Central bank, Professor Charles Soludo, Nigerian banks lacked the capacity and size to compete in the emerging world global banking and Nigerian banking system was very marginal relatively to the potentials of the economy and in comparison to other countries even in Africa (Financial Standard, August 29, 2005) as cited in Ajogwu, 2011). In view of the low financial state the study seeks to access the effect of compensation management in improving the employees' performance.

Compensation management has been one of the major policies used in motivating employees in the private sector. Compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. Other aspects of compensation which makes up the total compensation package for the employee are not given much attention. The study emanates from the need to effectively manage the employees both at the managerial cadre and the lower cadre of the management for an effective result through compensation management. Therefore the problem the researcher intends to investigate is to understand how compensation management influence employee performance.

### **1.3 Objective of the Study**

The general objective of the study is to determine the effect of compensation management practice on employee performance of selected Banks in Delta State.

The specific objectives of the study are to:

- I. Ascertain the impact of recognition on employee performance.
- II. Find out the influence of basic pay on employee performance.
- III. Determine the effect of bonuses/allowances and allowances on employee performance.
- IV. Access the effect of fringe benefit on employee performance.
- V. Examine the impact of overall compensation policies on employee performance

### **1.4. Research hypotheses**

Based on the objective and research questions, the following hypotheses were formulated to guide this study

H0<sub>1</sub>: There is no significant relationship between recognition and employee performance.

H0<sub>2</sub>: There is no significant relationship between basic pay and employee performance.

H0<sub>3</sub>: There is no significant relationship between bonuses/allowances and employee performance.

H0<sub>4</sub>: There is no significant relationship between fringe benefit and employee performance.

H0<sub>5</sub>: There is no significant relationship between overall compensation policies and employee performance

## **1.6. Scope of the Study**

The scope of this research study is on three main dimensions of geographical, contents, and unit of analysis. The target enterprises are the selected banks in Delta State which are located in Asaba and Warri: Zenith bank, Eco bank, UBA, Sterling bank, Stanbic IBTC bank, Wema bank, Heritage bank, Keystone bank, Union bank, Access bank, FCMB, Diamond bank, GTB, Unity bank, Fidelity bank and First bank.

The content scopes are the variables used for the research works which are listed, the dependent and independent variables. The independent variable is Compensation management that has explanatory variables as Recognition, basic Pay, Bonuses/allowances/allowances, overall compensation policies and Fringe Benefit. The dependent variable is employee performance. The unit of analysis is the staff of these selected banks in Delta State. The period of time cost for this research work will be from 2017 to 2018.

## **1.7 Significance of the Study**

Previous studies on the link between compensation management and performance has been incoherent in their findings, some found positive and negative relations, while others found no relationship. It is the aim of this study to strengthen previous findings. This study examined the impact of compensation management on performance in the selected banks in Delta State.

The study will be of immense benefit to the growth of the banking sector in the economy. The study provided the marketing managers with better conceptual, human and technical skills for assessing and increasing the efficiency of their employees and other levels of employee towards achieving both personal and organizational goals. This study is of relevant to companies operating



in Nigeria. The management of these companies is refreshed and educated more on the needed adequate knowledge and application of appropriate motivational strategies that enhance industrial harmony and growth. These facilitate peace, commitment and interpersonal relationship.

### **1.8 Limitations of the Study**

This study focuses on the compensation management and employees 'performance in the selected banks in Delta State. In a view to arriving at conclusive findings to this research, certain problems were encountered in gathering the necessary data for the execution of this project. Some of the major problems encountered were the attitudes of respondents. There is this general attitude for people to hide their feeling for the fear of being victimized. Another major problem encountered is the difficulties in getting the attention of respondents to complete the questionnaire, so that data needed for the study could be generated.

### **1.9 Operational Definition of Terms**

**Compensation:** Compensation is the human resource management function that deals with every type of reward individuals receive in exchange for performing organizational tasks, with a desired outcome of an employee who is attracted to the work, satisfied, and motivated to do a good job for the employer

**Compensation Management:** Is an integral part of human resource management (HRM) approach to managing people and as such it supports the achievement of business objective and it is strategic in the sense that it addresses longer term issue relating to how people should be valued for what they want to achieve.

**Marketing:** The performance of business activities that directs the flow of goods and services from producers to users.

**Motivation:** It is a drive towards an outcome, human resources management action directed to the sales force to elicit their optimum performance.

**Motivational Reward:** This refers to cash or any other form of compensation in liquid assets for services rendered, task performance or merit achieved.

**Basic Pay:** Basic pay can be referred to as the amount of pay that constitutes the rate for the job carried out by an employee

## **CHAPTER TWO**

### **REVIEW OF LITERATURE AND THEORETICAL FRAMEWORK**

This chapter concentrated on the review of literature and theoretical framework for the study. It deals with the various concept of compensation and employee's performance.

## **2.1. Concept of Compensation Management**

Compensation refers to all the provided tangible and intangible rewards an employee receives from the employer as part of the employment relationship. The Society for Human Resource Management (Steven, Guy, and Arindam, 2011) has defined compensation as systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes like assisting in recruitment, job performance, and job satisfaction. It can be said that compensation is the “glue” that binds the employee and the employer together in the organized sector, which is further codified in the form of a contract or a mutually binding legal document that spells out exactly how much should be paid to the employee and the components of the compensation package. Rewards and benefits are also type of compensation program that are important for employees (McNamara, 2008).

According to McNamara (2008), the objective of the design of compensation program is divided into two; direct and indirect forms of compensation. Direct compensation has to do with wage or salary aspect while indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization. Integrating the two into a package that will encourage the achievement of an organizations goal is what compensation is all about (Rayton, 2003), and that compensation includes issues regarding wage and salary programs, structures accruing from job descriptions, merit-based programs, bonus-based programs, commission based programs among others while benefits typically refers to retirement plans, health life insurance, disability insurance, vacation, employee stock ownership among others ((Steven, et al., 2011).

Foras long as organizations have existed, compensation has been recognized as a major motivator of employees as well as an important tool and an expense for organizations. To use compensation as a motivator effectively, human resource managers must consider four major components of a

pay structure in an organization (Barton, 2002). The components include: job rate, fringed benefits, payment and personal or special allowances.

According to Henderson, (2003), money possesses significant motivating power in as much as it symbolizes intangible goals like security, power, prestige, and a feeling of accomplishment and success. He also exhibits the motivational power of money with the process of job choice and expounds that money has the power to attract, retain, and motivate employees towards higher performance. For instance, if an employee has another job offer, which offers greater financial rewards and has identical job characteristics with his current job, that worker would most probably be motivated to accept the new job offer (Henderson, 2003).

### **2.1.1 Objectives of compensation management**

The main objectives of the compensation function are to create a system of rewards that is equitable and acceptable to both parties in employment relationship. The resultant outcome of compensation is an employee who is attracted to the work and motivated to do a good job for the employer.

Ivancevich (2004) highlight the objectives of compensation as follows:

- (1) **Attract:** Attracting the right kind of people in terms of qualification and experience as required by the organization and in sufficient numbers.
- (2) **Equitable:** Each person should be treated fairly as regards the amount paid in line with his or her effort, abilities, skills and training acquired.
- (3) **Balanced:** Pay, benefits and other rewards should provide a reasonable total reward package.
- (4) **Security:** Providing employees with some sense of financial security through insurance and retirement scheme.

(5) **Cost Effective:** The pay should not be excessive, considering what the organization can afford to pay.

(6) **Incentive-Providing:** The pay should provide incentives that will motivate effectively, efficiently and productively at work.

(7) **Retention:** The pay should be able to keep valued employees from leaving and going to competitors or starting competing firms.

(8) **Competitive Position:** The pay should maintain a competitive advantage in the marketplace by keeping costs low through high productivity from a satisfied workforce.

### **2.1.2 Types of compensation**

One of the crucial aspects in managing an organization is the compensation management. It is a process by which employees are being remunerated for their input at their workplace (Khan, Naseem & Masood, 2011). Compensation is of different types depending on their nature. Compensation has been classified into the following types (i) financial, (ii) non-financial and (iii) compensation and the individuals.

#### **Financial Compensation**

Financial compensation is also known as compensation that is concerned with monetary terms which comprises financial rewards and financial incentives. According to Armstrong (2003), "Financial rewards provide financial recognition to people for their achievements in the shape of attaining or exceeding their performance targets or reaching certain levels of competence or skill while financial incentives aims at motivating people in achieving their objectives, improve their performance or enhance their competence or skills by focusing on specific targets and priorities" (Armstrong, 2003).

## **Non-Financial Compensation**

This is a kind of compensation that does not involve money directly and this reward normally croup-up from the work itself. These include achievement, autonomy, recognition, the scope to use for work. Others include development of skills, training and career development opportunities (Armstrong 2003). This is made up of rewards that are not costly to boost the employees morale (Khan, Naseem & Masood, 2011).

### **2.1.3 Characteristics of Compensation**

Armstrong (2003) list the major characteristics of compensation as follows:

- I. It enhances improvement of both individual and organizational performance.
- II. It encourages value-added performance.
- III. It gives room for flexibility by helping to achieve the most efficient wage of human resources within the organization.
- IV. It provides managers with a support base.
- V. It facilitates organizational strategic objectives.
- VI. It motivates employees.
- VII. It makes the labor market more competitive by attracting and retaining highly skilled and quality people.
- VIII. It gives room for fair play and equity.
- IX. It offers value for money.
- X. It encourages teamwork
- XI. Khan, Naseem & Masood(2011)highlight certain objectives of compensation as follows:

- I. It creates room for efficiency in terms of improving performance, increasing quality, delighting customers and stockholders:-
- II. Controlling labor costs.
- III. Compliance.
- IV. Ethics x.

#### **2.1.4 Merits and Demerits of Compensation**

Before an organization embarks on compensation decisions, the cons and pros must be considered. Taking into consideration the merits and demerits of compensation enables the organization to achieve its set goals that enhance its competitive advantage.

##### **2.1.4.1 Merits**

According to Hills et al., (1994) some of the merits of compensation are as follows:

- I. To influence the employment behavior of individuals who participate in the labor force and to make personal decisions that is aligned with the organization's needs in the sense that z use compensation package to motivate people to join the organization since labor is an essential requirement in the production process.
- II. To motivate employees to stay with the organization. This is done through the intrinsic rewards from the job itself.
- III. To achieve high level of performance from individual employees beyond the minimally acceptable levels.

- IV. To enhance competitive advantage over other organizations within the same industry in the sense that when individual employees are motivated through compensation package, it leads to organizational performance.
- V. To accomplish the organization's strategy because compensation strategy is anchored around the organization's mission, vision, and objectives.
- VI. Enhances commitment and dedication from the employees when they are highly rated and influences the attitude of leaders and their style in treating the employees well.

#### **2.1.4.2 Demerits**

The demerits of compensation can be looked at from the constraints angle, how it affects the goals of motivating the employees in putting up certain behaviour that meet the needs of the organization as relating to performance.

Hills et al., (1994) identified five major principal constraints that organization's face when it comes to the compensation system. These constraints are explained below

- 1) **Ability to Pay:** The ability to pay is a veritable factor when it comes to determining what to pay. This varies from organization to organization and from one industry to the other. The competitive nature of the product market results in the shrinking of the profit margins, which restricts the discretion of the organization in the area of compensation. Irrespective of the intentions of management, the product market may determine the level of compensation that the organization is willing to pay even though the organization is using sophisticated technology and is more creative.
- 2) **Legal Constraints:** The legal framework that exists within the domain at which the organization operates is a major constraint to the compensation system. The law may



require minimum wage, retirement age, occupational accident compensation and the compensation manager must work within the arms of the law. In Nigeria, the minimum wage law that was enacted in 2011 was N18, 000 (Eighteen thousand naira) which is equal to ZAR1, 125 with many organizations claiming that their finances cannot meet up with this wage bill.

- 3) **Collective Bargaining:** The activities of the union in bargaining for more compensation cannot be overemphasized. It has been a major constraint because the law requires a process of bargaining between the union members and their employer which in terms of Cox “is a zero sum game” which means that the two parties must agree on what is to be paid through the process of negotiation.
- 4) **Internal Labor Market:** This involves all jobs within the organization, and how these jobs relate to one another. There are entry levels to a job in organizations, then other jobs into which employees can move into after the entry-level positions. Movement to these high-level jobs is managed and controlled by rules and procedures within the organization. This automatically affects the compensation system.
- 5) **External Labor Market:** There is a market place at which all employers of labor must bid for labor. The individual prefers to work for high money rather than for less money, hence employers try to pay competitive wages. Organizations try to pay the going market rate to the employees to motivate and retain them but in reality, this is not often achieved. However, the employers might be willing to pay the market rate but the ability to do so might not be there.

## 2.2 Components of Compensation

There exist many compensation strategies, the following are some components of compensation strategies that managers use in achieving their goals, and have been perceived either to contribute to job satisfaction or dissatisfaction. They include among others- basic pay, allowances, and work environment.

### **2.2.1 Recognition and Employee Performance**

Another often used tool to motivate employees is recognition. Indeed, it can be a powerful reinforcer that affects peoples' performance. Employee not only wants to know how well he performed but also desires the feeling that his effort is appreciated. Recognition is a reward for employees' performance that is defined as "acknowledgement, approval and genuine appreciation (not phony praise)" (Luthans & Stajkovic, 2000). There are several ways in which recognition can occur. It can be a verbal or written praise, formal or informal, administrated on public or privately. Research shows that recognition indeed has a positive influence on employees' motivation. The most often used form of recognition is a verbal praise.

Personality might be an important factor that creates people preferences about the form of recognition. Some people may be proud to be honored in a front of wide public, whereas the others might be simply embarrassed. The main and the most important finding of this study is that a great part of employees agrees that recognition motivate them and affect their performance. Summarizing, recognition can be a powerful tool used to motivate employees. It is desired by employees and significantly increases their performance. Some authors (Luthans & Stajkovic, 1999) suggest that social reinforcers such as recognition may affect employees' performance at the same level as pay.

### **2.2.2 Basic Pay and Performance**

According to Armstrong (2006) the basic pay is the amount of pay that constitutes the rate for the job. The base pay also serves as the benchmarks against which bonuses/allowances and benefits are calculated. It may vary according to the grade of the job or the level of skill required and is influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation while external relativities are assessed by tracking market rates. Other times, levels of pay may be agreed upon through collective bargaining with trade unions or by reaching individual agreements. The base rate may be adjusted to reflect increases in the cost of living or market rates by the organization, unilaterally or by agreement with a trade union. The basic pay is typically used by employees for ongoing consumption. Many countries dictate the minimum base salary defining a minimum wage, individual skills and the level of experience of employees.

De Vaney and Chen (2003) identified basic pay as a "hygiene factor" that could cause employee job dissatisfaction if its expectation are not realized. They further found out that basic pay was one of the key elements that significantly influence employees' job satisfaction. Mulveyet, Philip, & Adrian, (2002) further found out that poor pay translated to low job satisfaction, which was in turn related to low degrees of work engagement. In a similar fashion, research on performance appraisal has revealed that sufficient information, in this case on performance-appraisal criteria, increases satisfaction with the performance appraisal system.

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A pay-for-performance compensation policy is similar to a merit increase because it's based on employee performance. The difference between a merit increase and a pay-for-performance policy is that pay-for-performance increases are not usually limited to specific percentages based on achieving a certain rating. Pay-for-performance policies increase employee salaries based on performance that advances the organization's goals. One of the characteristics of a pay-for-performance compensation policy is that managers have more latitude in determining the amount of a salary increase.

### **2.2.3 Bonuses/allowances and Allowances and Performance**

Research has proven that when human beings are rewarded with bonus incentives, and praised they tend to improve their performance. This is another way an organization can apply a reward

so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When manager take time to meet and recognize employees who have performed well, it plays a big role in enhancing employee`s performance (Torrington and Hall, 2008).

Organizations should reward employees more often. This greatly improves performance compared to having the rewards may be only once a year. This is because frequent rewards are easily linked to job satisfaction (Thomson and Rampton, 2003).

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When reward tend to be so general, employees do not value them. Organizations can use rewards to improve employee`s performance by incorporating appraisal or promotion for employees who have a good record or performance. Managers should be on the lookout for employees who perform well. It plays a big role in enhancing employee`s performance (Torrington and Hall, 2006).

According to Armstrong (2006), employee allowances include pensions, sick pay, insurance cover, company cars and a number of other ‘perks’. Perks are used to recognize exceptional contribution, performance, commitment to culture and values. Perks include additional time off, tickets to events, trips, dinners and public recognition. They comprise elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remunerated, such as annual holidays. Some benefits are mandated by law, for example social security, unemployment compensation and worker compensation. Besides, benefits can be treated as the payment or entitlement, such as insurance policy employment agreement, or public assistance program.

Benefits may also be seen as a reflection of justice in society. Once injustice is perceived then dissatisfaction sets in (Heneman, 2002), and that rewards/allowances tend to retain people because

high reward levels lead to high job satisfaction, commitment, and loyalty. Therefore, when employees feel they are not being rewarded as they expected, it will decrease their job satisfaction leading to low performance. For example, if one perceived fairness about the benefits received from one's employer, this may lead to higher job satisfaction. The use of allowances and rewards varies greatly between countries and professions. Some countries/professions have allowances for certain job types, projects, working hours or regime and location. Other countries, however, have either a holiday allowance or an end-of-year allowance and some have both (Milkovich et al., 2011). Allowances are primarily tied to organizational financial performance according to the 2006HR Practices in Executive-Level Compensation Survey Report by the Society for Human Resource Management(SHRM). Most organizations reward top executives for delivering profit growth and increasing revenue.

#### **2.2.4 Fringe Benefits and Performance**

Fringe benefits are an integral part of the total compensation. According to Milkovich et al., (2011) income protection is put in place against the future in respect of unemployment, medical purpose, retirement programmes, life assurance. For example, in Nigeria, it is expected of the employers to pay medical bills and contribute towards the retirement of their employees as well as take up a compulsory life assurance policy that has a sum assured of five times the employees' gross salary. This pays attention to the usage of benefits, benefit satisfaction, and effects of different benefit schemes. Concentration has been on how elements like firm objectives, cost, unionization, employee attitudes, wages, and anticipated benefits affect the use of different benefits and schemes (for example, flexible schemes, pension scheme types, employees 'compensation, health insurance, disability retirement, and early retirement schemes). Effects of benefits and benefit

schemes (pension brand, health insurance, breaks, paid time off, early retirement, etc.) are associated with retirement wealth, economic wage pressures, employee movement, search activity, productivity, organizations performance and turnover (Weibel, Rost & Osterloh, 2010).

### **2.2.5 Overall Compensation Policies and Employees**

Compensation policies range from differentials in basic shift for employees that work outside normal business hours (Martha, 2003). The essence is to reward employees for high performance that ensures the achievement of organizational goals. In addition, employers regularly monitor their compensation policies to ensure they are paying employees in an equitable manner and also competitively. Some compensation policies as outlined by (Martha, 2003) includes:

#### **Employee Incentives**

Employee incentives are a part of some employers' compensation policies. Incentives can be based on number of factors, such as performance, sales or other standards the company uses to reward employees for attaining organizational and career goals. For example, employees whose sales exceed the company's expectations might be eligible for an incentive if their sales performance meets certain guidelines.

#### **Merit Increases**

Performance appraisal reviews are an integral part of compensation policies on merit increases. Employers typically require that supervisors and managers conduct performance appraisals for employees who report to them. Performance appraisals use job descriptions, performance standards and work logs to determine if employees are meeting the employer's expectations in terms of productivity and quality of work. Companies that use merit increases to reward employees rely on supervisor ratings to determine salary or wage increases, referred to as merit increases.

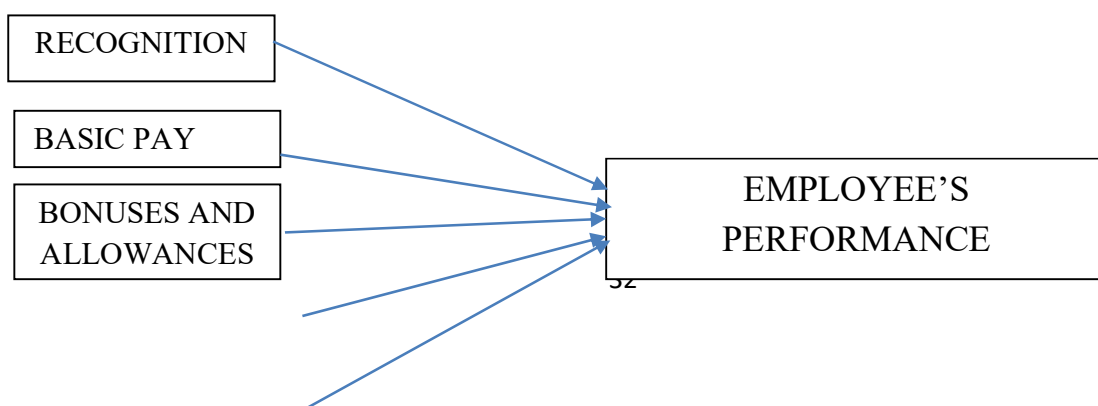
### **Annual Review**

Human resources staff or compensation and benefits specialists should review compensation policies annually basis to ensure the company is maintaining a competitive edge. An example of using annual reviews to strengthen competitive compensation policies occurs when employers effect salary adjustments based on market pricing for employees with skills and qualifications in high demand. Another example involves adjusting salaries and wages in accordance with cost of living increases. Reviewing compensation policies regularly also ensures the company is in compliance with federal regulations concerning fair pay, minimum wage and overtime rules. During annual compensation reviews, some employers audit their policies related to exempt and non-exempt status (NCNECP).

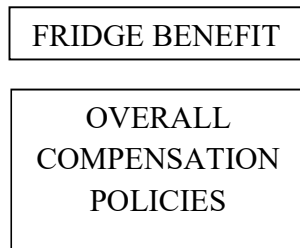
### **2.2.8 Conceptual framework**

**Independent Variable**

**Dependent Variable**







**Figure 2.1:** Conceptual Framework of latent (Major) variables and their hypothesized relationships.

**Source; Researcher’s Model, 2017**

The researcher came out with a framework as stated in figure 2.1, with variables; Recognition, Basic Pay, Bonuses/allowances, Fringe Benefit and representing the dimensions of compensation practices – the independent variable. While the dependent variable is employees’ performance

### **2.2.9 Employee’s performance**

Employee’s performance can be defined as the efficiency with which an association is able to meet its objectives. This means an organization that produces a desired effect or an organization that is productive without waste (Ogunbajo, 2012). Employees’ performance is about each individual doing everything they know how to do and doing it well; in other words organizational efficiency is the capacity of an organization to produce the desired results with a minimum expenditure of energy, time, money, and human and material resources. The desired effect will depend on the goals of the organization, which could be, for example, making a profit by producing and selling a product. An organization, if it operates efficiently, will produce a product without waste. If the organization has both employees’ performance and efficiency, it will achieve its goal of making a profit by producing and selling a product without waste. In economics and the business world, this may be referred to as maximizing profits.

The main measure of employees' performance for a business will generally be expressed in terms of how well its net profitability compares with its target profitability. Additional measures might include growth data and the results of customer satisfaction surveys.

Highly effective organizations exhibit strengths across five areas: leadership, decision making and structure, people, work processes and systems, and culture. For an organization to achieve and sustain success, it needs to adapt to its dynamic environment. Evaluating and improving employees' performance and efficiency is one strategy used to help insure the continued growth and development of an organization (Mullins, 2005).

Measuring employees' performance can be an inexact science, since each individual entity will have a different list of criteria and priorities to weight and consider through self-assessment. Understanding a company's level of employees' performance is important for several reasons: it serves as a check-in to see how well internal procedures are meeting an initial vision, it provides investors, donors, or employees with an idea of the company's strengths, and it highlights areas of ineffectiveness that can be the focus of improvements.

In many cases, a business' success or failure cannot be measured by financial performance as well. Even a company that is currently making a profit may be ineffective if it is failing to meet the core values of its mission statement, attract and retain talented workers, and plan for the next generation of projects.

Employee's performance measures the big-picture performance of a business, across a broad range of criteria. Financial performance, long-term planning, internal structure, and adherence to core values may all be critical components in understanding employees' performance (Thomson and Rampton, 2003).

To get a clear idea of an organization's effectiveness, it is important to create a clear list of criteria to assess. No two organizations will have the same list of criteria, which is why many for-profit and non-profit groups measure effectiveness through self-assessment. Employees and company personnel are often in the best position to intimately understand the needs, goals, and performance of their company. Self-assessment of effectiveness can also help company personnel reconnect with the initial mission of an organization. By working creatively to invent new business strategies for areas of ineffectiveness, workers may develop a stronger sense of loyalty, purpose, and dedication to the job.

#### **2.2.9.1 Job Satisfaction**

Job satisfaction is a key to improving both organizational and individual performance. Employees with high levels of job satisfaction are more motivated to achieve the firm's objectives (Milkovich, & Wigdor, 2005). Job satisfaction refers to employees' attitude towards their jobs which are the result of their perceptions of the job or task that they do. It is an emotional or evaluative response that can be positive, neutral or negative (Ivancevich and Matteson 1990).

Similarly, Milkovich, & Wigdor, (2005) emphasize that job satisfaction is a worker's attitude towards his/her job, based on the different characteristics of the job in question. The level of job satisfaction is determined by the social status attained through their job and their experience in the working environment (Elik et al., 2011). Rashid et al. (2013) argued that job satisfaction and motivation are inseparable tangible principles when it comes to the success of any firm and its workers. Thus, if workers are encouraged in their job, they experience higher levels of job satisfaction and are inclined to use their skills to put more effort into their work.

They posited that job satisfaction derives from adequate and continuous learning motivated by a strong desire for achievement and affiliation. Likewise, Azash et al. (2012) study on job characteristics as determinants of work motivation and job satisfaction revealed that skills, task identity, task significance and feedback serve as either positive or negative predictors of employee job satisfaction.

### **2.2.9.2 Competitive Advantages**

Recently, competitive advantage is used for acquiring superior position in the world from different angles of science, economics and technologies. This was mentioned by Ansoff et al. (1991) and later accomplished the definition by Porter (1985). Generally, competitive advantage considered as strategic management or paradigm management. Hence, the performances of organizations or manufactures are pertained to the relevant theories from competitive advantage which is crucial points to compete and take advantage from the new technology.

Porter (1985) and Barney (1995) stated that competitive advantage could be considered as valuable as an economic performance. While, hypercompetitive model versus of sustainable competitive advantage can be as a powerful strategy for higher performances (D'Aveni, 1994).

In addition, Sargent (2008) determined that competitive advantage is the capability of the competitors to gain more profits by giving more services and benefits to the customers. Since competitiveness is accounted as a fundamental role in industrial activities for achieving goals, so governments and researchers have more intervened in the developing strategies. Additionally, improving researches, economic prosperity and quality of products can be considered as competitive advantage abilities through each company.

Therefore, utilizing nanotechnology in the process of competition in the future is very sustainable to the big companies or manufacturers. Halawi et al.(2006) noticed that the competition of industries is based on five forces: new products, giving more services, replacing products or services, and tricky works through competitors. While, the best way to reach the competition in the global market is deducing planning and developing core of competition.

### **2.3 Empirical Review**

Ahmed & Ali (2008) carried out a research on the “impact of reward and recognition programs on employee motivation and satisfaction”. Research design used was exploratory. Sample chosen for the study was 80 employees of Unilever companies and data collection instrument used was a questionnaire. Pearson’s correlation was used to analyze data to determine the degree of relationship between reward and satisfaction and motivation.

Major findings indicated a positive relationship between rewards and work satisfaction as well as motivation. Factors affecting satisfaction were identified; payment 86%, promotion 74%, work conditions 61%, personal 37%. Analysis showed support for a positive relationship between reward and employee satisfaction. The researchers recommended that further studies can be done on ‘impact of reward and recognition on motivation and satisfaction for diverse groups of people’ example gender, race and disability.

Duberg & Mollen (2010) undertook a study on reward systems within the health and geriatric care sector. The problem of the study was how reward systems designed in health and geriatric care are and whether the current reward systems affect the care quality. The thesis aimed to extend the knowledge of reward systems in health and geriatric care and know how these systems are

designed and what their effects on quality of health and geriatric care are. The methodology took a qualitative approach and interviewed a sample of six leaders in both private and public organizations. Two of the leaders worked in geriatric care and four in health care. The theoretical framework was based on scientific literature about motivation and reward systems. Also literature specifically about wage conditions in the health care sector and the public sector was used.

Findings showed that salary is an important aspect in the reward system; however other incentives like bonuses/allowances and shares were seen to generate an enjoyable work place and happy workers than motivate employees to be more efficient. Results showed that conditions for working with reward systems in the public sector are limited due to the lack of resources and complex large organization structures with old traditions. This must be reconsidered to be able to work with well-designed reward systems similar to those in private care organizations. The researcher recommended that further studies should be done to compare reward system and investigate its impact on an organization in relation with one that does not.

Axelsson & Bokedal (2009) did a study on rewards motivating different generations at Volvo Car Corporation. However, opportunities for growth are motivating for both generations. It was concluded that there exists generational differences. However, both generations considered salary as important and non-monetary rewards to be of great importance. The authors recommended research to be carried out on reward systems and how they impact on other interesting aspects like gender, life stage.

Garlick (2009) carried out an online study of 1913 full-time employees and asked people to rank order 14 potential performance incentives in order of preference. These performance incentives included common extrinsic rewards such as cash bonuses/allowances, gift cards, award points, and

travel awards, as well as intrinsic rewards such as having more freedom and autonomy at work, being able to choose interesting projects, and being assigned to mentor other employees. Not surprisingly, cash bonuses/allowances were listed as the most preferred incentive by three-out-of-four people (74%) surveyed. Nine-out-of-ten (89%) listed cash bonuses/allowances within their top three preferences.

However, the primary issue the study investigated was whether offering cash bonuses/allowances really influenced employee attitudes, as well as other business outcomes. The results showed that offering a cash bonus exclusively does not seem to make much of an impact on performance, despite the fact cash bonuses/allowances are nearly everyone's preferred reward. While cash bonuses/allowances are the most preferred reward for three-out-of-four, and among the top three rewards for nine-out-of-ten, those who only receive a cash bonus are just slightly more satisfied than those who get no reward at all. Furthermore, offering exclusively cash bonuses/allowances only seems to have very little impact on company performance, either in terms of increased customer service, or in increased profitability.

The above studies have dealt with reward in organizations and its relationship with factors such as employee motivation, employee performance, employee satisfaction and effect on quality of work done. Overall the studies show reward to have a positive effect. However, different rewards seem to have a different impact on employee attitude, satisfaction and performance. There are mixed findings when it comes to individual rewards and their effect on performance.

## **2.4 Theoretical Framework**

### **2.2.1 Content theories**

These theories attempt to explain the specific things which actually motivate the individual at work. These theories are concerned with identifying people's needs and their relative strengths and the goal they pursue in order to satisfy these needs. These theories place emphasis on the nature of the needs and what motivates individuals. The basis of these theories is the belief that the content of motivation consists of needs (Mullin, 2005). It is essentially about taking action to satisfy needs, and identify the main needs that influence behaviour. An unsatisfied need therefore, creates tension and a state of disequilibrium and in order to restore balance, a goal that will satisfy the need should be identified, and a behaviour pathway that will lead to the achievement of the goal is selected. Not all needs are important to an individual at a time; some may provide a much more powerful drive towards a goal than others. This is dependent on the background and the present situation of the individual. The complexity of needs is further increased because there is no simple relation between needs and goals. The same need can be satisfied by a number of different goals, the stronger the need, the longer its duration and the broader the range of possible goals (Armstrong, 2006).

### **2.2.2 Maslow's hierarchy of needs theory**

Maslow (1943) made a basic proposition that people are wanting beings. This proposition was based on the way people are always looking for more wants, and their wants are dependent on what they already have. With this, he suggested that human needs are arranged in a series of levels, a hierarchy of importance. He identified eight innate needs of man, including the need to know and understand, aesthetic needs, and the need for transcendence. However the hierarchy is usually shown as ranging through five main levels from the lowest need being physiological, through safety needs, love needs and esteem needs to the highest level of needs being self actualization



(Mullins, 2005). This theory states that when a lower need is satisfied, it is no longer a strong motivator and hence the demand for the next higher need becomes dominant and the individual's attention is turned towards satisfying this higher need. It states that only unsatisfied needs motivate an individual (Mullins, 2005; Armstrong, 2006). Irrespective of the demand for satisfaction of higher needs, it has been established that self actualization being the highest level can never be satisfied (Armstrong, 2006).

**Physiological needs:** It is the basic need of life. It comprises the need for relief from thirst, hunger, physical drive, oxygen, sexual desire.

**Safety needs:** This includes safety and security, freedom from pain or threat of physical attack, protection from danger or deprivation, the need for predictability and orderliness.

**Love:** It is sometimes referred to as social needs and includes affection, sense of belonging, social activities, friendship, and both the giving and receiving of love.

**Esteem:** It is also often referred to as ego and includes self respect which involves the desire for confidence, strength, independence and freedom. In addition is esteem of others which involves reputation or prestige, status, recognition, attention and appreciation.

**Self-actualization:** This is the development and realization of one's full potential. Maslow saw this level as what humans can be, they must be, or becoming everything that one is capable of becoming. It is the need to develop potentials and skills, to become what one believes he/she is capable of becoming (Mullins, 2005; Armstrong, 2006; Bloisi et al., 2003).

Maslow (1943) claimed that the hierarchy is relatively universal among different cultures, but recognizes that there are differences in an individual's motivational content in a particular culture. He further pointed out that a need is not fully satisfied before the rising of subsequent need and cited about 85% satisfaction in physiological needs, 70% in safety, 50% in love, 40% in esteem

needs, and 10% in self-actualization (Mullins, 2005). He suggested that most people have these basic needs in the hierarchical manner and also stated that the hierarchy is not a fixed order as some individuals will have theirs in the reverse way. This he cited examples as:

- I. Self- esteem may seem to be more important than love to some people and is the most common reversal of the hierarchy. This is because the most loved person is strong, confident or inspires respect.
- II. For some creative individual, the drive for creativity and self-actualization may arise despite lack of satisfaction of more basic needs.
- III. People who have experienced chronic unemployment may have higher level needs lost in them since they will continue to be satisfied at lower levels only.
- IV. People deprived of love from childhood may experience the permanent lost of love needs.
- V. A need which has continued to be satisfied over a long period of time may be undervalued. People who have never suffer chronic hunger underestimate its effect and regard food as unimportant. Therefore people who are dominated by higher-level need, this may assume greater importance than more basic need.
- VI. People with high ideals or values may become martyrs and give up everything else for the sake of their belief (Mullins, 2005).

Stum (2001) as quoted by Mullins (2005) studied the dynamics between an individual and the organization, and proposed a new worker/employer social contract that enables organizations to improve worker commitment and retention. The five levels of workforce needs hierarchy are:

**Safety/security:** The need to feel physically and psychologically safe in the work environment for commitment to be possible.

**Rewards:** The need for extrinsic rewards in compensation and benefits.

**Affiliation:** The intrinsic need for a sense of belonging to the work team or organization.

**Growth:** Addressing the need for positive individual and organizational change to drive commitment.

**Work/life harmony:** The drive to achieve a sense of fulfilment in balancing work and life responsibilities.

### **2.2.3 Process theories**

These theories are extrinsic theories and they attempt to identify the relationships among the dynamic variables which make up motivation and the actions required to influence behaviour and action. They provide a further contribution to our understanding of the complex nature of work motivation (Mullins, 2005). Process theory on the other hand is also known as cognitive theory because it is concerned with people's perceptions of their work environment, the ways in which they interpret and understand. According to Guest, process theory provides a much more relevant approach to motivation than Maslow and Herzberg which he suggests, have been shown by extensive research to be wrong. Cognitive theory can certainly be more useful to managers than need theory because it provides more realistic guidance on motivation techniques (Armstrong, 2006).

### **2.2.4 Vroom's expectancy theory**

Vroom (1964) criticised Herzberg's two-factor theory as being too dependent on the content and context of the work roles of workers and offered an expectancy approach to the study of motivation (Bloisi et al., 2003). This theory therefore is aimed at work motivation and based on three variables namely valence; instrumentality and expectancy. This theory was centered on the idea that people prefer certain outcomes from their behaviour over others (Mullins, 2005). He proposed that

individuals will be motivated to achieve a desired goal as long as they expect their actions will achieve the goal (Bloisi et al., 2003).

Valence as a variable of this expectancy theory is the feelings about a specific outcome or an anticipated satisfaction from an outcome. It can further be explained as the attractiveness of, or preference for a particular outcome to an individual. This is derived from their own right but usually derived from the other outcome to which they are expected to lead of which accumulation of wealth from money is an example (Mullins, 2005).

**2.2.5 Behavior reinforcement theory** is similar to that of operant conditioning. If a person is rewarded for a particular behavior, he or she is more likely to perform those actions again. You can probably think about a time when you did something that made your parents or teacher happy, and you were rewarded in some way. The positive reaction motivated you to do the same actions again because you would anticipate getting the same or a similar reward.

Reinforcement theory states that a response followed by a reward is more likely to recur in the future (Thorndike's Law of Effect). The managerial implication for compensation management is that high employee performance matched with a reward (be it monetary or non-monetary) will make future high employee performance more likely. By the same token, high performance not followed by a reward will make it less likely in the future. The theory emphasizes the importance of a person actually experiencing the reward (Gerhart, Minkoff & Olsen, 1995). The researcher adopted "Behavior reinforcement theory" as a theoretical framework,

### **CHAPTER THREE**

#### **RESEARCH METHOD**

This chapter provides information on general method and procedure for data collection, research design, instrument used, sampling procedure, selection, administration and method of data analysis.

### **3.1 Research Design.**

Research design, articulates the tools through which the empirical data are gathered and analyzed. However, Singh (2008) defines research design as a mapping strategy and maintained that it is essentially a statement of the object of the enquiry and the strategies for collecting the evidences, analyzing them, and finally reporting the findings. The cross sectional research design method was employed because it is concerned with the collection and analysis of data for the purpose of describing, evaluating or contrasting current of prevailing practices, event or occurrences.

### **3.2 Population of the Study**

According to Olannye (2006) “Population is the totality of any group, persons or objects which is defined by some unique attributes”. The population of this study is total of 700 employees of the selected banks in Delta State. Since it is not possible to study the entire population of banks in the banking industry due to finance and geographical constraints, the researcher have selected six (6) banks in Asaba, Warri, Sapele and Ughelli in Delta State with a population of 700 employees.

### **3.3 Sample Size**

The sample size of the study is the proportion of individuals drawn from the population in order to examine the impact of job stress on employees’ performance in the selected banks. A sample size of two hundred and fifty five (255) was used for the research work as shown below.

The sample size for the study was determined at 5% level of significance using Taro Yameni’s Formula (TYF) as stated below:

$$n = N$$

$$1 + N(e)^2$$

Where n = sample size

N = population

e = level of significance.

The sample sought is:

$$n = \frac{700}{1 + 700 (0.05)^2}$$

$$n = \frac{700}{1 + 700 (0.0025)}$$

$$n = \frac{700}{2.75} = 255$$

The sample size for the study constitutes 255 employees of selected six (6) banks in Asaba, Warri, Sapele and Ughelli in Delta State

**Table 3.2: Allocation of Sample Size to Selected Banks and Branches**

<b>BANKS</b>	<b>ASABA BRANCH</b>	<b>Warri Branch</b>	<b>Sapele Branch</b>	<b>Ughelli Branch</b>
<b>ZENITH BANK</b>	37/700*255=13	32/700*255=12	31/700*255=11	28/700*255=11
<b>UBA</b>	34/700*255=12	42/700*255=15	32/700*255=12	20/700*255=7
<b>ECO BANK</b>	27/700*255=10	31/700*255=11	31/700*255=11	27/700*255=10
<b>FIRST BANK</b>	28/700*255=11	39/700*255=14	28/700*255=11	30/700*255=11

<b>FIDELITY BANK</b>	24/700*255=9	30/700*255=11	25/700*255=9	21/700*255=8
<b>DIAMOND BANK</b>	28/700*255=11	25/700*255=9	25/700*255=9	16/700*255=6

Source: Field survey 2018

### 3.4 Sampling Techniques

The probability sampling method was employed in this study using the stratified random sampling technique. Olannye (2006) noted that stratified random sampling technique is a probabilistic sampling method which ensures that the resultant sample is representative enough of the entire population. It is a sampling technique that gives every member of the population an equal chance of participation.

### 3.5 Research Instrument

Data for this research were gathered from primary source.

The primary source of data is the most important and reliable source of data collection. Structured questionnaires will be used to obtain relevant data from the respondents. The researcher used the likert five scale question model ranging from 1 undecided to 5 strongly agree.

### 3.6 Method of Data Collection

The research instrument used in this study is a structured questionnaire with respond format in the five point Liker scale form whereby the respondents will be asked to give answers ranging from strongly disagreed to strongly agree. it is particularly suitable at measuring or obtaining evaluative response towards an object according to Agbonifoh and Yomere, (1999), requiring intense evaluation of his attitude stating how well he agrees or disagrees with a statement; hence its usage



in this study. The liker questionnaire scale format is assigned numbers that ranges from: One (1): for undecided five (5): for strongly agreed.

### **3.7 Data Analysis Technique**

Data analysis is the engine room of every research (Nwadinigwe, 2002). Analysis of data has to do with rational processing of data with the use of statistical tools, to produce information. The aim of the statistical analysis of data with regards to this research study was to assist (enable) the researcher make sense of the data and helps the researcher make conclusions that are valid and lead to good decision (Olannye, 2006). The hypotheses stated for this study were tested using regression analysis. This statistical tool was found appropriate because it establishes a relationship between the independent and dependent variables.

The first level of statistical analysis involves the use of simple, descriptive or inductive statistic which uses the frequency, percentage mean, and standard deviation. These descriptive statistics was used to describe and summarize the distribution of the variables, or sampling parameter across the sample without making interest to the larger population under study (Olannye, 2006)

The second level of statistical analysis involves bivariate analysis for determining the degree of relationship between the variables which include Pearson correlation analysis.

Regression and correlation analysis was used because of the nature of the topic (The impact of compensation management on employees performance), and this two techniques are the most common model used by many researchers. Correlation was used to show the relationship between variables, regression on the other hand, was used for prediction of outcome, it does not only show

positive, negative or no relationship but also tells the strength of that relationship (Nwadinigwe, 2002).

### **3.8 Validation of Research Instrument**

#### **3.8.1 Validity**

Content validity was used by giving the questionnaire to my supervisor and experts in the field of social sciences, to assess the content of the questionnaire and determine whether the information gathered from the respondents are relevant to the objective of the study.

#### **3.8.2 Reliability**

The concept of reliability deals with an issue of consistency or accuracy of an instrument (Olannye, 2006). Unlike validity which is established by making value judgment, reliability can be achieved through statistical procedures using Cronbach's Alpha test, to examine for the reliability coefficient. A reliability coefficient of 0.7 and above, are high and accepted while a reliability coefficient of 0.6 and below shows poor reliability (Sekaran, 2003).

A pilot study was conducted and twenty five (25) set of questionnaire was distributed at random to Bank staff in Agbor. The data collected was computed using Stata version 13 software. The result of the reliability of the questionnaire was giving Table 3.2.

#### **Table 3.2: Reliability Test**

Item	obs	sign	item-test correlation	item-rest correlation	average interitem covariance	alpha
rec	20	+	0.8106	0.6827	.4464782	0.8429
pay	20	+	0.7868	0.6514	.4641707	0.8504
bon	20	+	0.7693	0.6322	.4793144	0.8545
frb	20	+	0.8168	0.7145	.4685651	0.8356
empef	20	+	0.8700	0.7882	.4323306	0.8166
Test scale					.4581718	0.8679

Table 3.2 showed the reliability test result for all the constructs above 0.8.

### 3.9 Model Specification

Employee's performance is the dependent variable, while compensation management is the independent variables, with the following dimensions (Recognition, Basic Pay, Bonus and allowance, Fringe Benefit and Overall Compensation Policies)

Employee's performance = f (Compensation management)

Compensation management = (REC, PAY, BON, FRB, COP)

Model 1- EMPEF =  $\beta_0 + \beta_1 \text{REC} + u$  ..... 1

Model 2- EMPEF =  $\beta_{10} + \beta_{11} \text{PAY} + u$  .....2

Model 3 - EMPEF =  $\beta_{20} + \beta_{21} \text{BON} + u$  .....3

Model 4 - EMPEF =  $\beta_{30} + \beta_{31} \text{FRB} + u$  .....4

Model 5 - EMPEF =  $\beta_{40} + \beta_{41} \text{COP} + u$  .....5

Where:

EMPEF = employees' performance

REC = Recognition

PAY = Basic Pay

BON = Bonus and allowance

FRB = Fringe Benefit

COP = Overall Compensation Policies

$\beta_0 - \beta_n$  = Regression coefficients

U = Error Term

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS**

This chapter is concerned with the presentation and analysis of data and information collected through the use of questionnaires administered to the respondents of the selected banks in Delta

State in order to determine the influence of compensation management practice on the performance of selected Banks in Delta State.

#### **4.1 Data Presentation**

The data presented and analysed in this study is categorized into three parts; the first is the descriptive analysis of respondents profile with percentage weighting attached. The second is the correlation and regression analysis of the research questions and their respective variables. The third is the testing of hypotheses formulated for the study. Out of the 255 questionnaire administered to the respondents, 253 (two hundred and fifty three) were useable. Therefore, the analysis in this chapter is based on the usable sample size of 253.

**Table 4.1 Demographic Profile of Respondents**

Gender	Frequency	Percentage (%)
Male	193	76.3
Female	60	23.7
TOTAL	253	100

AGE RANGES	FREQUENCY	PERCENTAGE (%)
Below 15years	-	-
15-20years	35	13.8
21-30years	133	52.6
31-40years	52	20.6
41-50years	33	13.0
TOTAL	253	100
MARITAL STTUS	FREQUENCY	PERCENTAGE (%)
MARRIED	195	77.1
SINGLE	58	22.9
TOTAL	253	100
EDUCATIONAL LEVEL	FREQUENCY	PERCENTAGE (%)
WAEC/GCE/NECO	15	5.9
OND/NCE	78	30.8
HND/B.Sc.	115	45.5
MBA	20	7.9
Others	25	9.9
TOTAL	253	100

**Source: Analysis of Field Survey, 2018.**

From Table 4.1 above, 193 (76.3%) were male and 60 (23.7%) were females. This indicates that the female were more in number than the male respondents.

The age distribution of respondents which was spread across various age ranges/brackets shows that the highest concentration of respondents fell within the age bracket of 21 to 30 years 133(52.6%) This is followed by respondents within 31-40years 52(20.6%) of respondents, followed by respondents within 15-20years 35(13.8%) of respondents and lastly are those respondents in the age bracket of 41-50years 33(13.0%) of respondents

As regards the marital status of respondents, it was observed that 195(77.1%) of the respondents were married, while 58(22.9%) were single.

It shows from the above Table 4.1 that 15(5.9%) of the respondents had WAEC/GCE/NECO, 78(30.8%) of the respondents had OND/NCE, 115(45.5%) had either HND/B.Sc. 20(7.9%) had MBA while 25(9.9%) possessed other qualifications

#### 4.2. Data Analysis

This section is concerned with analyzing the primary data sourced from the field survey in order to determine the pattern of responses using simple percentage depicted and regression analysis approach to examine the relationship that existed among variables.

**Table 4.5: Recognition**

S/N	Statement	Scale				
		SA 5	A 4	U 3	D 2	SD 1
1.	Recognition is a reward for employees' performance in acknowledgement, approval and genuine appreciation.	80 (31.6)	65 (25.7)	38 (15.0)	30 (11.9)	40 (15.8)
2.	Written praise show high level of performance.	90 (35.6)	80 (31.6)	15 (5.9)	53 (21)	15 (5.9)
3.	The most often used form of recognition is a verbal praise.	88 (34.8)	72 (28.5)	12 (4.7)	43 (17.0)	38 (15.0)
4.	Personality is the important factor that creates people preferences about the form of recognition.	70 (27.7)	84 (33.2)	28 (11)	39 (15.4)	32 (12.7)

**Source: Analysis of field survey, 2018**

Table 4.5 indicated the recognition and employees' performance , Recognition is a reward for employees' performance in acknowledgement, approval and genuine appreciation. Statement 1 shows that 145 (57.3%) of the respondents agreed, 38 (15.0%) were undecided and 70 (29.3%) disagreed. In statement 2 Written praise show high level of performance, 170 (67.2%) were in agreement, 15 (5.9%) were the undecided rates and 68

(26.8%) were the disagreement rates. Statement 3 The most often used form of recognition is a verbal praise. 160 (63.3%) of the respondents were in agreement, 12 (4.7%) were undecided while 81 (32.0%) were in disagreement. In statement 4, Personality is the important factor that creates people preferences about the form of recognition, 154 (60.9%) were in agreement, 28 (11.1%) were undecided and 71 (28.1%) disagreed.

**Table 4.6: Basic Pay**

S/N	Statement	Scale				
		SA 5	A 4	U 3	D 2	SD 1
5.	My performance is enhanced by pay	90 (35.6)	77 (30.4)	20 (7.9)	30 (11.9)	36 (14.2)
6.	Pay motivate me to perform	60 (23.7)	73 (28.9)	28 (11.1)	44 (17.4)	48 (19.0)
7.	Pay encourage high-level performances of employees	65 (25.7)	79 (31.2)	20 (7.9)	49 (19.4)	40 (15.8)
8.	Paying is a vital factor which affects employees' motivation	86 (34.0)	84 (33.2)	35 (13.8)	28 (11.1)	20 (7.9)

**Source: Analysis of field survey, 2018**

Table 4.6 shows the relationship between pay and employees' performance, It was revealed in statement 5 My performance is enhanced by pay, 167 (66.0%) of the respondents agreed. 20 (7.9%) were undecided while 66 (26.1%) disagreed.

In statement 6 Basic Pay motivate me to perform. 133 (52.6%) of the respondents were in agreement, 28 (11.1%) were undecided and 92 (36.4%) were the in disagreement.

Statement 7 Pay encourage high-level performances of employees, 144 (56.9%) of the respondents agreed, 20 (7.9%) were undecided and 89 (35.2%) disagreed. Statement 8 Paying is a vital factor



which affects employees' motivation, 170 (67.2%) agreed, 35 (13.8%) were undecided and 48 (19.0%) disagreed.

**Table 4.7: Bonuses/allowances/Allowances**

S/N	Statement	Scale				
		SA 5	A 4	U 3	D 2	SD 1
9.	Bonuses/allowances are way organization improve the performance.	69 (27.3)	90 (35.6)	20 (7.9)	45 (17.8)	29 (11.5)
10.	Bonuses/allowances should occur often in other to increase the performance.	77 (30.4)	74 (29.3)	28 (11.1)	44 (17.4)	40 (15.8)
11.	Managers should be on the lookout for employees who perform well	78 (30.8)	88 (34.8)	25 (9.8)	25 (9.8)	37 (14.6)
12.	Organizations should rewards to improve employee's performance by incorporating appraisal for employees who have a good performance.	94 (37.2)	77 (30.4)	26 (10.3)	40 (15.8)	16 (6.3)

**Source: Analysis of field survey, 2018**

Table 4.7 indicated the relationship between bonuses/allowances and employees performance . Statement 9 Bonuses/allowances are way organization improve the performance, 159 (62.9%) of the respondents were in agreement, 20 (7.9%) were undecided while 74 (29.3%) totally disagreed.

In statement 10 Bonuses/allowances should occur often in other to increase the performance, 151 (59.7%) of the respondents agreed, 28 (11.1%) of the respondents were undecided and 84 (33.2%) disagreed. Statement 11 Managers should be on the lookout for

employees who perform well, 166 (64.6%) of the respondents were in agreement, 25 (9.8%) were undecided while 62 (24.4%) totally disagreed.

In statement 12 Organizations should rewards to improve employee's performance by incorporating appraisal for employees who have a good performance, 171 (67.6%) of the respondents agreed, 26 (10.3%) of the respondents were undecided and 56 (22.1%) disagreed.

**Table 4.8: Fringe Benefit**

S/N	Statement	Scale				
		SA 5	A 4	U 3	D 2	SD 1
13.	Fringe benefit can improve my morale in the work place	98 (38.7)	62 (24.5)	23 (9.1)	35 (13.8)	35 (13.8)
14.	Fringe benefit is a key indicator for achieving growth in our organizational profits	88 (34.8)	82 (32.4)	22 (8.7)	33 (13.0)	28 (11.1)
15.	Fringe benefit systems can motive me and increase my performance.	80 (31.6)	84 (33.2)	24 (9.4)	30 (11.9)	35 (13.8)
16.	Effective and efficient Fringe benefit has reduced the rate of employee turnover	78 (30.8)	99 (39.1)	15 (5.9)	35 (13.8)	26 (10.3)

**Source: Analysis of field survey, 2018**

Table 4.8 shows the extent to which fringe benefit and employees' performance. It was revealed in statement 13 Fringe benefit can improve my morale in the work place, 160 (63.3%) of the respondents agreed, 23 (9.1%) were undecided while 70 (29.3%) disagreed.

In statement 14, Fringe benefit is a key indicator for achieving growth in our organizational profits, 170 (67.2%) of the respondents were in agreement, 22 (8.7%) were undecided and 61 (24.1%) disagreed. Statement 15, Fringe benefit systems can motivation me and increase my performance, 164 (64.8%) of the respondents agreed, 24 (9.4%) were undecided, 65 (25.7%) disagreed. Statement 16 Effective and efficient Fringe benefit has reduced the rate of sales force

turnover, 177 (69.9%) of the respondents agreed, 15 (5.9%) were undecided and 61 (24.1%) disagreed.

**Table 4.9: Overall compensation Policies**

S/N	Statement	Scale				
		SA 5	A 4	U 3	D 2	SD 1
17.	My organization has compensation policies	88 (34.8)	82 (32.4)	22 (8.7)	30 (11.9)	31 (12.3)
18.	Compensation policies is a direct motivation for employees	75 (29.6)	79 (31.2)	10 (4.0)	49 (19.4)	40 (15.8)
19.	Good compensation policies re-invigorate employees	76 (30.0)	84 (33.2)	35 (13.8)	35 (13.8)	23 (9.1)
20.	In my organization employee incentives are part of some employers' compensation policies	94 (37.2)	87 (34.4)	16 (6.3)	40 (15.8)	16 (6.3)

**Source: Analysis of field survey, 2018**

Table 4.9 indicated the respondents' opinion towards compensation policies and competitive advantage. Statement 17 shows that 170 (67.2%) of the respondents agreed to the statement My organization has compensation policies, 22 (8.7%) were undecided and 61 (24.1%) disagreed.

In statement 18, 154 (60.9%) were the agreement rates to the statement of Compensation policies is a direct motivation for employees, 10 (4.0%) were the undecided rates and 89 (35.2%) were the disagreement rates. Statement 19 shows that 160 (63.3%) of the respondents were in agreement Good compensation policies re-invigorate employees, 35 (13.8%) were undecided while 58 (22.9%) were the disagreement rates. In statement 20, In my organization employee incentives are a part of some employers' compensation policies, 181 (71.6%) of the respondents were in agreement, 16 (6.3%) were undecided and 56 (22.1%) disagreed.

**Table: 4:10.Employees'Performance**

S/N	Statement	SA	A	U	D	SD
21	Employees perform their task for goal accomplishment.	98 (38.7)	62 (24.6)	23 (9.1)	35 (13.8)	35 (13.8)
22	Employees encourage productive discretionary behavior.	88 (34.8)	82 (32.4)	22 (8.7)	33 (13.0)	28 (11.1)
23	Employees ensure that customers are satisfied.	80 (31.6)	84 (33.2)	24 (9.4)	30 (12)	35 (13.8)
24	Employees provide good customers' care services.	78 (30.8)	99 (39.1)	15 (6)	35 (13.8)	26 (10.3)
25	Employee performance has led to increase in market share of the organization.	88 (34.8)	82 (32.4)	22 (8.7)	30 (11.9)	31 (12.3)
26	There is increase in account opening since last year	75 (29.6)	79 (31.2)	10 (4.0)	49 (19.4)	40 (15.8)
27	Generally, there is increase in performance in the organization due to high work force of employees.	76 (30.0)	84 (33.2)	35 (13.8)	35 (13.8)	23 (9.1)
28	I feel positive and up most of the time I am working	94 (37.2)	87 (34.4)	16 (6.3)	40 (15.8)	16 (6.3)
29	The existence of compensation policies in my organization motivates me to work hard	80 (31.6)	65 (25.7)	38 (15)	30 (11.9)	40 (15.8)
30	I always meet my objective because I'm motivated by the compensation system in my organization.	90 (35.6)	80 (31.6)	15 (5.9)	53 (20.9)	15 (5.9)

**Source: Analysis of field survey, 2018**

Table 4.10 indicated the respondents' opinion towards employees' performance. In statement 21, 160 (63.3%) were in agreement, 23 (9.1%) were the undecided rates and 70 (29.3%) were the disagreement rates. Statement 22, 170 (67.2%) of the respondents were in agreement, 22 (8.7%) were undecided while 61 (24.1%) were in disagreement. Statement 23, 164 (64.8%) of the respondents were in agreement, 24 (9.4%) were undecided while 65 (25.7%) totally disagreed. In statement 24, 177 (69.9%) of the respondents agreed, 15 (5.9%) of the respondents were undecided and 61 (24.1%) disagreed. Statement 25, 170 (67.2%) of the respondents were in agreement, 22

(8.7%) were undecided while 61 (24.1%) totally disagreed. In statement 26, 154 (60.9%) of the respondents were in agreement, 10 (4.0%) were undecided and 89 (35.2%) disagreed. Statement 27, 160 (63.3%) of the respondents agreed, 35 (13.8%) were undecided, 58 (22.9%) disagreed. Statement 28, 181 (71.6%) of the respondents agreed, 16 (6.3%) were undecided and 56 (22.1%) disagreed. It was revealed in statement 29, 145 (57.3%) of the respondents agreed. 38 (15.0%) were undecided while 70 (29.3%) disagreed. In statement 30, 170 (67.2%) of the respondents were in agreement, 15 (5.9%) were undecided and 68 (26.8%) were the in disagreement.

**Table 4.11: Correlations among the variables of compensation management and employees' performance.**

	rec	pay	bon	frb	cop	orgpef
rec	1.0000					
pay	0.5038	1.0000				
bon	0.5447	0.4493	1.0000			
frb	0.5608	0.6329	0.4880	1.0000		
cop	0.1788	0.1344	0.0823	0.1448	1.0000	
orgpef	0.6495	0.5938	0.6339	0.6614	0.1520	1.0000

Correlation is significant at the 0.05 level (2-tailed)

**Source: Researcher's computation (2018)**

Table 4.11, reveals the results of the correlation analysis involving the indicators of compensation management and employees' performance showed an overwhelming positive correlation. Hence, there is a positive correlation coefficient value between compensation management and employees' performance. This further implies that the independent variables are positive associated with its dimensions and the dependent variables.

### 4.3 Test of Hypotheses

#### Decision Rule

The regression analysis was employed as an analytical tool for testing the hypothesis formulated in chapter one. The null hypothesis advanced as tentative answers to the research questions of the present study were tested to see whether they are supported by the empirical data or not.

### Level of Significance

The null hypotheses shall be accepted if the p-value (calculated value) is greater than ( $>$ ) the established level of significance (critical value) and to reject the null hypotheses if it is less than ( $<$ ) the critical value (Gujarati, 2003). In addition, Gujarati & porter, (2009) opined that the level of significant (p-value) of 0.05 and above is a condition for accepting the null hypothesis (Ho). But if otherwise, that is p-value less than 0.05 is the condition for rejecting the null hypothesis (Ho).

### Post Regression Test

**Table 4.12: VIF Test**

variable	VIF	1/VIF
frb	1.98	0.504976
pay	1.80	0.556291
rec	1.77	0.564359
bon	1.56	0.641974
cop	1.77	0.564359
Mean VIF	1.77	

Table 4.12 indicates the absence of multicollinearity since the mean VIF value is 1.77 which is less than the benchmark value of 10. The result further shows that no variable was dropped

### Hypothesis One

**Ho: There is no significant positive relationship between Recognition and employees' Performance**

**Table 4.13: Recognition and employees' Performance**

Source	SS	df	MS			
Model	79.8129431	1	79.8129431	Number of obs =	253	
Residual	109.388638	251	.435811306	F( 1, 251) =	183.14	
Total	189.201581	252	.750799925	Prob > F =	0.0000	
				R-squared =	0.4218	
				Adj R-squared =	0.4195	
				Root MSE =	.66016	

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
rec	.5878166	.0434365	13.53	0.000	.5022702	.6733629
_cons	1.861875	.1721288	10.82	0.000	1.522875	2.200876

**Source: Researcher's computation**

The regression result in table 4.13 showed that recognition has a significant effect on employees' performance in selected banks in Delta State. (Coef. = 0.587, p = 0.000). The p-value = 0.00 at 1% level of significance for recognition, hence we reject the null hypothesis and accept the alternate hypothesis which states that recognition has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.587, p < 0.05).

As indicated in Table 4.16, Adj. R-Squared of the models is 0.41 implying that 41% change in the dependent variable (employee's performance) is brought about by the independent variable (recognition).

**Hypothesis Two**

**Ho: There is no significant positive relationship between Basic pay and employees' Performance.**

**Table 4.14: Basic pay and employees' Performance**

Source	SS	df	MS			
Model	66.7029495	1	66.7029495	Number of obs =	253	
Residual	122.498632	251	.488042357	F( 1, 251) =	136.67	
Total	189.201581	252	.750799925	Prob > F =	0.0000	
				R-squared =	0.3525	
				Adj R-squared =	0.3500	
				Root MSE =	.6986	

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pay	.551246	.0471522	11.69	0.000	.4583817	.6441104
_cons	2.024309	.1847723	10.96	0.000	1.660407	2.38821

**Source: Researcher's computation**

The regression result in table 4.14 showed that basic pay has a significant effect on employees' performance in selected banks in Delta State. (Coef. = 0.551, p = 0.00). The p-value = 0.00 at 1% level of significance. Pay process is less than 0.05, hence we reject the null hypothesis and accept the alternate hypothesis which states that basic pay has a significant effect on employees' performance in selected banks in Delta State (Coef.. = 0.551, p < 0.05).

As indicated in Table 4.17, Adj. R-Squared of the models is 0.35 implying that 39% change in the dependent variable (employee's performance) is brought about by the independent variable (basic pay).

### **Hypothesis Three**



**Ho: There is no significant positive relationship between bonuses/allowance and employee performance**

**Table 4.15: Bonuses/allowances/Allowance and employees' Performance**

Source	SS	df	MS			
Model	76.0314666	1	76.0314666	Number of obs =	253	
Residual	113.170114	251	.45087695	F( 1, 251) =	168.63	
Total	189.201581	252	.750799925	Prob > F =	0.0000	
				R-squared =	0.4019	
				Adj R-squared =	0.3995	
				Root MSE =	.67147	

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
bon	.609833	.0469616	12.99	0.000	.5173439	.702322
_cons	1.75551	.1871026	9.38	0.000	1.387019	2.124001

**Source: Researcher's computation**

The regression result in table 4.15 showed Bonuses/allowances/allowance has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.609, p = 0.00). The p-value = 0.00 at 1% level of significant for Bonuses/allowances, hence we reject the null hypothesis and accept the alternate, which state that Bonuses/allowances has a significant effect on employees performance in selected banks in Delta State.(Coef. = 0. 0.609, p = 0.00 < 0.05).

As indicated in Table 4.18, Adj. R-Squared of the models is 0.39 implying that 39% change in the dependent variable (employee's performance) is brought about by the independent variable (Bonuses/allowances/allowance).

## Hypothesis Four

**Ho:** There is no significant positive relationship between fringe benefit and employees' performance.

**Table 4.16: Bonuses/allowances/Allowance and employees' Performance**

Source	SS	df	MS			
Model	82.7544901	1	82.7544901	Number of obs =	253	
Residual	106.447091	251	.424091996	F( 1, 251) =	195.13	
Total	189.201581	252	.750799925	Prob > F =	0.0000	
				R-squared =	0.4374	
				Adj R-squared =	0.4351	
				Root MSE =	.65122	

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
frb	.6927926	.049595	13.97	0.000	.5951173	.7904679
_cons	1.406125	.1987226	7.08	0.000	1.014749	1.797502

**Source: Researcher's computation**

The regression result of output in table 4.16 showed Fringe benefit has a significant effect on employees' performance in selected banks in Delta (Coef. = 0.692, p = 0.000). The p-value 0.00 at 1% level of significant for Fringe benefit, hence we reject the null hypothesis and accept the alternate, which state that Fringe benefit has a significant effect on employees' performance in selected banks in Delta (Coef. = 0.692, p < 0.05).

As indicated in Table 4.19, Adj. R-Squared of the models is 0.43 implying that 43% change in the dependent variable (employee's performance) is brought about by the independent variable (Fringe benefit).

## Hypothesis Five

**Ho: There is no significant positive relationship between overall compensation policies and employees' performance**

**Table 4.17: Bonuses/allowances/Allowance and employees' Performance**

Source	SS	df	MS			
Model	4.37146668	1	4.37146668	Number of obs =	253	
Residual	184.830114	251	.736374958	F( 1, 251) =	5.94	
Total	189.201581	252	.750799925	Prob > F =	0.0155	
				R-squared =	0.0231	
				Adj R-squared =	0.0192	
				Root MSE =	.85812	

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
cop	.1229961	.0504809	2.44	0.016	.0235759	.2224163
_cons	3.696176	.183115	20.18	0.000	3.335538	4.056813

**Source: Researcher's computation**

The regression result of output in table 4.17 showed overall compensation policies has a significant effect on employees' performance in selected banks in Delta (Coef. = 0.122, p = 0.01). The p-value 0.01 at 5% level of significant for compensation policies, hence we reject the null hypothesis and accept the alternate, which state that overall compensation policies has a significant effect on employees' performance in selected banks in Delta ((Coef. = 0.112, p < 0.05).

As indicated in Table 4.20, Adj. R-Squared of the models is 0.01 implying that 10% change in the dependent variable (employee's performance) is brought about by the independent variable (overall compensation policies).

#### **4.4 Discussion of Findings**

Recognition has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.587, p = 0.000). The test of hypothesis shows that recognition has a significant effect on employees' performance in selected banks in Delta State. The result is in alignment with Luthans & Stajkovic, (2000) who found that significant positive relationship exist between recognition and employees' performance, that employee not only wants to know how well he performed but also desires the feeling that his effort is appreciated. Recognition is a reward for

employees' performance that is defined as "acknowledgement, approval and genuine appreciation (not phony praise)". Recognition can be a powerful tool used to motivate employees. It is desired by employees and significantly increases their performance.

It was found in the regression result in table 4.13 that basic pay has a significant effect on employees' performance (Coef. = 0.551,  $p = 0.00$ ). The test of hypothesis further shows that basic pay has a significant positive effect on employees' performance. The findings is in agreement with Mulveyet al.(2002) that there is significant positive relationship between basic pay and employees' performance, stated that poor pay translated to low job satisfaction, which in turn related to low degrees of work engagement..

The regression result output in table 4.14 showed that bonuses/allowances/allowances has a significant effect on employees' performance (Coef. = 0.609,  $p = 0.00$ ). The p-value 0.000 at 1% level of significant for Bonuses/allowances/allowances is less than 0.05, hence we reject the null hypothesis and accept the alternate, implying that there is significant relationship between bonuses/allowances/allowances and employees' performance. This is in consonant with Thomson and Rampton, (2003) there positive relationship between bonuses/allowances and employees' performance and those organizations should reward employees more often with different packages Fringe benefit has a significant effect on employees' performance.. It was found that there is significant positive relationship between Fringe benefit and employees' performance.. This is in accordance with Milkovich et al., (2011) and Marticchio (2004) that there is significant positive relationship between Fringe benefit and employees' performance and that payments in form of medical allowances, retirement programs and life assurance motivates employees.

**CHAPTER FIVE**  
**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This chapter is concerned with the summary of findings, conclusion, recommendations contributions to knowledge and suggestions for further study.

## **5.1 Summary**

The general objective of the study is to determine the effect of compensation management on employee's performance in selected banks in Delta State. The study was structured into five (5) chapters, chapter one discusses the introductory part of the study, literature were reviewed and theoretical framework studied in chapter two, chapter three explained the methods used for the study. Data were analyzed and results discussed with their findings in chapter four and finally chapter five explained the summary, conclusion and recommendations of the study.

The study was conducted in the service sectors (Banking Sector). In chapter five the summary of work, conclusion and recommendations were made. The chapter five also gives room for contributions to knowledge and suggestions for further studies. The study adopted the cross sectional survey research design and a sample size of 255 was used for analysis from a population of 700. It employed descriptive, correlation and OLS multiple regression as analytical tool for the study. Data generated from the study were presented, analyses and relevant hypotheses tested. Findings and recommendations followed from the results of the hypotheses.

The study finds that:

- I. Recognition has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.587,  $p = 0.000$ ).
- II. Pay has a significant effect on employees' performance in selected banks in Delta State (Coef.. = 0.551,  $p = 0.000$ ).

- III. Bonuses/allowances/allowance has a significant effect on employees performance in selected banks in Delta State.(Coef. = 0. 0.609, p = 0.000).
- IV. Fringe benefit has a significant effect on employees' performance in selected banks in Delta (Coef. = 0.692, p = 0.000)
- v. Overall compensation policies has a significant effect on employees' performance in selected banks in Delta ((Coef. = 0.112, p =0.016).

## **5.2 Conclusions**

The purpose of the study was to determine the effect of compensation management on employees' performance in selected banks in Delta State. The study concludes that recognition has a significant positive effect on employees' performance in the banking sector. The implication is that employees will work and perform better in order to be recognized in their institution. A great part of employees agrees that recognition motivate them and affect their performance. Employee not only wants to know how well he performed but also desires the feeling that his effort is appreciated Basic Pay has a significant positive effect on employees' performance, implying that employees will work and perform better when paid regularly for their work done. The employees appreciate regular payment and it motivates them towards optimum performance.

Bonuses/allowances/allowances have a significant positive effect on employees' performance. Organizations should reward employees more often through bonuses/allowances. This will greatly improve performance compared to having the bonuses/allowances may be, only once a year. This is because frequent bonuses/allowances are easily linked to job satisfaction and employees performance. Bonuses/allowances is a reward that organizations use to reward employees for

exemplary performance when they have performed higher or exceed their set targets which makes them eligible to perform more and achieve their objectives. Consequently, the need to provide bonuses/allowances to employee`s to ensure motivation for an optimum performance in the banking sector. Fringe benefit has a significant positive effect on employees` performance. Fringe benefits are an integral part of the total compensation. Fringe benefit is used to integrate the employees` interests with those of the company and it motivates employees to perform more effectively. This implies that employees` performance in the banking sector is highly influenced by the fringe benefit given to the employees.

### **5.3 Recommendations**

On the basis of the findings of the study and the conclusion, the study recommends as follows:

- I. Recognition is used by management to relate to employees stability in the organization. Management should also encourage them with awards and gifts in order for them to happy and put all best efforts in the organization objectives and goals.
- II. Basic Pay is one of the motivational tool, organizations used as internal and external controllable affairs of the organization to appreciate the effort of the employees.
- III. Bonuses/allowances/allowances are a way management encourages employees in order to maintaining a favourable reputation of the employees in the organization. Firms should adopt cash bonus strategy as a way of motivating employee so as to spur them to increase their sales volume and meet their target always
- IV. Fringe benefit is one of the ways to promote and retain an employee in the organization and management should be able to sense the active employees and create ways of appreciating the employees` effort put into action in the organization.



#### **5.4. Contribution to Knowledge**

The following contributions to knowledge emerged from the study based on the findings and conclusions of this study.

1. The study established that fringe benefit is a veritable tool for enhancing employees' performance in the banking sector.
2. The study provided that bonuses/allowances stimulate employees to better performance in the banking sector.
3. The study affirmed that Basic Pay enhances employees' performance in the banking sector.
4. The study provided that recognition boost employees' performance in the banking sector

#### **5.5 Suggestions for Further Studies**

This study has a number of observed limitations that should be addressed in further research studies. The domain of this research study focuses on some selected banks in Delta State. However, future research studies could go ahead to expand the scope to involve Telecommunication industry and service industry.

The sample size could be increase by the future researchers so that a more valid conclusion can be reached.

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## APPENDIXES 1

### RESEARCH QUESTIONNAIRE

Department of Business Administration  
Faculty of Social Sciences  
Delta State University  
Abraka.

Sir/Madam,

#### **EFFECT OF COMPENSATION MANAGEMENT PRACTICE ON EMPLOYEES' PERFORMANCE OF SELECTED BANKS IN DELTA STATE**



I am a Masters (M.Sc.) student of the above named university conducting a research on the above topic. You have been identified as a suitable respondent. This questionnaire is designed to elicit relevant information on the above topic. Kindly, assist us to provide objective and reliable answers to the attached questions. All information provided shall be treated in strict confidence and restricted only for academic pursuit please.

**Obieze Ewere Success**

**Researcher**

**SECTION A  
RESPONDENTS PROFILE**

**INSTRUCTIONS:** The questions in the sub-section of the questionnaire are designed to elicit information about the impact of compensation management on employee's Performance. Please answer by ticking (✓) in the blank space provided.

1. **Sex:** (a) Male[ ] (b) Female [ ]
2. **Age:** (a) Below 15 years [ ] (b) 15-20 years [ ] (c) 21-30 years [ ] (d) 31-40 years [ ] (e) 41-50years [ ]

3. **Marital Status:** (a) Married [ ] (b) Single [ ]
4. **Educational qualification:** (a) WAEC/GCE/NECO [ ] (b) OND/NCE [ ] (c) HND/B.Sc. [ ] (d) MBA [ ] (e) Others [ ]

### SECTION B

Kindly read through the following statement, use the scale below as your guide:

- SA(5)** = Strongly Agreed  
**A(4)** = Agreed  
**U (3)** = Decided  
**D(2)** = Strongly Disagree  
**SD (1)** = Undecided

#### Statements on Recognition

1	Recognition is a reward for employees' performance in acknowledgement, approval and genuine appreciation.	<b>U</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>
2	Written praise show high level of performance.					
3	The most often used form of recognition is a verbal praise.					
4	Personality is the important factor that creates people preferences about the form of recognition.					
<b>Statements on Basic Pay</b>						
5	My performance is enhanced by pay					
6	Pay motivate me to better performance					
7	Pay encourage high-level performances of employees					
8	Paying is a vital factor which affects employees' motivation					

S/N	Statements on Bonuses/allowances/Allowances					
9	Bonuses/allowances are way organization improve the performance.					
10	Bonuses/allowances should occur often in other to increase the performance.					
11	Managers should be on the lookout for employees who perform well					

12	Organizations should rewards to improve employee`s performance by incorporating appraisal for employees who have a good performance.					
	<b>Statement on Fringe benefit</b>	<b>U</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>
13	Fringe benefit can improve my morale in the work place					
14	Fringe benefit is a key indicator for achieving growth in our organizational profits					
15	Fringe benefit systems can motivation me and increase my performance.					
16	Effective and efficient Fringe benefit has reduced the rate of sales force turnover					
<b>S/N</b>	<b>Statement on overall Compensation policies</b>					
17	My organization has compensation policies					
18	Compensation policies is a direct motivation for employees					
19	Good compensation policies re-invigorate employees					
20	In my organization employee incentives are part of some employers` compensation policies					
	<b>Statement on employees` Performance</b>					
21	Employees perform their task for goal accomplishment.					
22	Employees encourage productive discretionary behavior.					
23	Employees ensure that customers are satisfied.					
24	Employees provide good customers` care services.					
25	Employee performance has led to increase in market share of the organization.					
26	There is increase in account opining since last year					
27	Generally, there is increase in performance in the organization due to high work force of employees.					
28	I feel positive and up most of the time I am working					
29	The existence of compensation policies in my organization motivates me to work hard					
30	I always meet my objective because I`m motivated by the compensation system in my organization.					

## **Appendix2**

Item	obs	sign	item-test correlation	item-rest correlation	average interitem covariance	alpha
rec	20	+	0.8106	0.6827	.4464782	0.8429
pay	20	+	0.7868	0.6514	.4641707	0.8504
bon	20	+	0.7693	0.6322	.4793144	0.8545
frb	20	+	0.8168	0.7145	.4685651	0.8356
empef	20	+	0.8700	0.7882	.4323306	0.8166
Test scale					.4581718	0.8679

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

H0: Constant variance  
 Variables: fitted values of orgpef

chi2(1) = 21.46  
 Prob > chi2 = 0.1710

variable	VIF	1/VIF
frb	1.98	0.504976
pay	1.80	0.556291
rec	1.77	0.564359
bon	1.56	0.641974
cop	1.77	0.564359
Mean VIF	1.77	

Source	SS	df	MS	Number of obs =	253
Model	79.8129431	1	79.8129431	F( 1, 251) =	183.14
Residual	109.388638	251	.435811306	Prob > F =	0.0000
Total	189.201581	252	.750799925	R-squared =	0.4218
				Adj R-squared =	0.4195
				Root MSE =	.66016

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
rec	.5878166	.0434365	13.53	0.000	.5022702 .6733629
_cons	1.861875	.1721288	10.82	0.000	1.522875 2.200876

Source	SS	df	MS	
Model	66.7029495	1	66.7029495	Number of obs = 253
Residual	122.498632	251	.488042357	F( 1, 251) = 136.67
Total	189.201581	252	.750799925	Prob > F = 0.0000
				R-squared = 0.3525
				Adj R-squared = 0.3500
				Root MSE = .6986

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
pay	.551246	.0471522	11.69	0.000	.4583817 .6441104
_cons	2.024309	.1847723	10.96	0.000	1.660407 2.38821

Source	SS	df	MS	
Model	76.0314666	1	76.0314666	Number of obs = 253
Residual	113.170114	251	.45087695	F( 1, 251) = 168.63
Total	189.201581	252	.750799925	Prob > F = 0.0000
				R-squared = 0.4019
				Adj R-squared = 0.3995
				Root MSE = .67147

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
bon	.609833	.0469616	12.99	0.000	.5173439 .702322
_cons	1.75551	.1871026	9.38	0.000	1.387019 2.124001

Source	SS	df	MS	
Model	82.7544901	1	82.7544901	Number of obs = 253
Residual	106.447091	251	.424091996	F( 1, 251) = 195.13
Total	189.201581	252	.750799925	Prob > F = 0.0000
				R-squared = 0.4374
				Adj R-squared = 0.4351
				Root MSE = .65122

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
frb	.6927926	.049595	13.97	0.000	.5951173 .7904679
_cons	1.406125	.1987226	7.08	0.000	1.014749 1.797502

Source	SS	df	MS			
Model	4.37146668	1	4.37146668	Number of obs =	253	
Residual	184.830114	251	.736374958	F( 1, 251) =	5.94	
Total	189.201581	252	.750799925	Prob > F =	0.0155	
				R-squared =	0.0231	
				Adj R-squared =	0.0192	
				Root MSE =	.85812	

empef	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
cop	.1229961	.0504809	2.44	0.016	.0235759	.2224163
_cons	3.696176	.183115	20.18	0.000	3.335538	4.056813