



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
GENERAL BUSINESS ADMINISTRATION PROGRAM**

**ASSESSMENT OF EMPLOYEE'S PERCEPTION TOWARDS
COMPENSATION AND BENEFIT SCHEMES AND PRACTICES: A CASE
STUDY OF BANK OF ABYSSINIA**

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JUNE, 2019

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF
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TABLE OF CONTENTS

TABLE OF CONTENTS.....	i
ACKNOWLEDGEMENTS.....	iii
LIST OF ABBREVIATIONS.....	iv
LIST OF TABLES.....	v
ABSTRACT.....	vi
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Objectives of the Study.....	4
1.4. Operational Definition.....	4
1.5. Significant of the Study.....	5
1.6. Scope and limitations of the Study.....	5
1.7. Organization of the Study.....	6
CHAPTER TWO.....	7
REVIEW OF RELATED LITERATURE.....	7
2.1. Introduction.....	7
2.2. Theoretical Literature.....	7
2.2.1. Definition of compensation.....	7
2.2.2. Types of Compensation.....	8
2.2.3. Compensation Strategy.....	12
2.2.4. Benefits Concepts.....	14
2.2.5. Determining the Compensation and Benefit Packages.....	14
2.2.6. Communicating the Benefit Packages.....	14
2.2.7. Employees' Compensation Perception.....	15
2.2.8. Compensation Policy.....	17
2.2.9. Companies' Compensation Packages vs Employees Performance.....	17
2.3. Conceptual framework.....	18
2.4. Empirical survey.....	19

CHAPTER THREE	21
RESEARCH DESIGN AND METHODOLOGY	21
3.1. Research approach and Design	21
3.2. Sample and Sampling Techniques	22
3.3. Sources data and methods of data collection	22
3.4. Data Collection Procedures	23
3.5. Validity and Reliability of the Questionnaire	23
3.6. Methods of Data Analysis	24
3.7. Ethical Considerations.....	24
CHAPTER FOUR.....	26
DATA PRESENTATION, ANALYSIS AND INTERPRITATION	26
4.1. Introduction	26
4.1. Demographic characteristics of respondents:.....	26
4.2. Perception of Financial Compensation schemes.....	28
4.3. Perception of non financial compensation schemes.....	33
CHAPTER FIVE.....	38
SUMMARY, CONCLUSION AND RECOMMENDATION	38
5.1. Summary	38
5.2. Conclusion.....	39
5.3 Recommendations	40
REFERENCE.....	42
APPENDICES	46

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LIST OF ABBREVIATIONS

BOA	Bank of Abyssinia
PF	Provident Fund
DFC	Direct Financial Compensation
IDF	Indirect Financial Compensation
E.C	Ethiopian Calendar

LIST OF TABLES

Table 3.1 Reliability test Cronbach's Alpha	24
Table: 4.1 Respondents Demographic Characteristics.....	26
Table: 4.2 Respondents' perception towards direct Financial Compensation	28
Table: 4.2b Respondents' perception towards indirect Financial Compensation	31
Table: 4.3a Respondents' perception on the Job Non Financial Compensation	33
Table: 4.3b Respondents' perception on the Environment of Non Financial Compensation ...	36

ABSTRACT

This study assesses employee's perception towards compensation and benefits schemes of selected branches of Bank of Abyssinia. The study also tries to assess employees' perception of different types of compensation practice and their motivation in the bank work environment. The study was quantitative approach and cross sectional, which used structured interview questions to gather information. Bulletins, Internet and other references like the bank procedure manuals had been also used as secondary sources of data to support the primary data. Stratified sampling is applied in order to identify the number of branches from each of district offices and proportional sampling techniques was employed to identify the last 205 study units. Descriptive statistics data analysis method was applied to analyze quantitative data using SPSS version 24. The result indicates, there is a positive perception of equitable wage and salary with experience, insurance (health and safety), different loans, relevancy of their jobs to the bank's development, existing work environment and existing compensation and benefit scheme. However, there are negative perceptions among employees towards allowance payment, reward for exceptional performance, predictability of rewarding system, the banks support for tuition and registration for education, recognition and appreciation for better performance, organizational culture and work place safety and protection.

In conclusion, the research has informed the presence of both positive and negative perceptions on the existing financial and non financial incentives in the Bank. Accordingly, the researcher has recommended the management team of the bank to re-design strategies to strengthen employees' positive perceptions and to study in different methods on the negative opinions toward their compensation and benefit schemes provided by the bank.

Key Words: Compensation, benefit, perception, Performance, Bank of Abyssinia, Ethiopia

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

In the contemporary competitive business globe, the banking industries have been advancing in all aspects of the bank system to effect in highest accessibility, security and service quality. To meet the perceived competencies of the advancement of bank system, most business companies want to hire the most qualified employees and keep them loyal and productive to their organization. To attract and keep the competent employees; companies provide both financial and non financial compensation and benefit packages (Bernardin, 2010).

In the competitive business world, the nature of compensation and benefit packages are more complex. Its system contains many different decision rules, guidelines, and processes for determining pay level and pay structure. In this environment, organizations need sustained high level performance through their human resources to be competitive enough in the market. One of the most important challenges that companies face are improving level of employees' perception. As a result compensation and benefit scheme is designed to affect the perception of employees of a company. And best designed compensation and benefit schemes affect the motivation of the employees that determine their work performance. The pay structure is the relative differential among various jobs within the organization and how this is determined. The relative amount of compensation assigned to each job is compared to the job market (Mengistu, 2018).

Compensation represents all forms of financial return, tangible services and benefits that employees receive as part of their employment relationship with an entity or organization. The issues of compensation and benefit require careful consideration and research regarding many factors affecting employees' performance. The design of any financial compensation structure can send a very strong message regarding what the firm expects from employees (Dessler, 2011). The vision of most business organization like private banks' human resource is to build a better bank; working in partnership to create an environment where people can thrive and are enabled to deliver sustainable organizational performance using motivated and well performing employees (Bernardin, 2010).

In most cases, compensation and benefit schemes affect employees' decision to stay or leave an organization, to work effectively and accept additional responsibility. Because, employees are willing and cooperative to do their job to the best of their abilities when they believe that compensation and benefit schemes are relatively equitable to their performance and additional assignments they bear (Bratton & Gold, 1995).

In Ethiopia, the numbers of private and government banks have grown significantly and banking industry is rapidly expanding in its geographical reach, branch expansion, in technology and employee intake. Accordingly, it is believed that there is significant turnover and movement of employees from one bank to another and to some extent to other non ones or out of banking industry because of different practices of compensation and benefit among different companies. Staff turnover takes place at all levels, driven by the desire to improve earnings, careers and to move from rural to urban areas. Constant staff turnover has a negative impact on an organization's capacity to operate efficiently and to manage long-term planning and development. To overcome these problems, different banks endeavor to practice different compensation and benefit system that fit with the general standards of working environment, competitive remuneration, and reward system integrated with good organizational management, shared values, and beliefs of their organization that can attract, retain and motivate the desired man power.

Many authors have written on this subject and a lot of research and compensation theories/plans have been completed. When working with a small to mid-size employer to create a compensation plan Greene (1989) recommended some central principles on compensation like pay structures needs to be easy to communicate and understand, create a system for the entire organization while recognizing that not everyone should be paid or benefited and align pay with company goals at an individual or company level. If customer loyalty and profit margin are the key determinates to profitability, then these should be included in the bonus or commission structure and also as compensation encourages employees to look at the big picture individual incentives to perform and communicate the importance of specific results.

This research is designed to assess the employees' compensation and benefit schemes in one of the private banks in Ethiopia, Bank of Abyssinia. Since the compensation strategy is the same throughout the organization, data collected from employees is also intended to evaluate the

existing compensation/ benefit schemes in Bank of Abyssinia, investigate employees' perception towards compensation/ benefit schemes and the role of compensation in enhancing employees' performance.

1.2.Statement of the Problem

Bank of Abyssinia has its own salaries, allowances and benefits packages to attract potential and competent employees and motivate its staff to the better performances of works. The level of the compensation and benefit packages are determined by the cost of living and the bank's competitiveness in the bank industry and also the salary increment and other benefits are subject to level of staffs' performance (Bank of Abyssinia, 1999). The allowances that the bank provided to its employees include per diems, housings, disturbance, transportation and cash indemnity (Bank of Abyssinia Manual, 2007). If employees are compensated in good manner, they will attract other potential workers and also decide to retain their work within their previous organization and achieve goals of the organization (Bernardin, 2010). However, if the compensation is not practiced in a good manner, it lowers employee's performance; they will have low productivity and creates employees' carelessness and become the cause of interruption of customer service (Bernardin, 2010). As per the bank's quarterly report (2018), the bank has been becoming one of the highly preferred banks by highly experienced and qualified employees and retain competent staffs by reducing workforce turnover to the normal level (4%) as compared with the previous 2015/16 (15%) and the report stated that the turnover is decreased for the redesigning of salaries and other benefits packages in 2016 to improve their compensation and benefit packages to the employees' perceived competitive level with other private banks.

Likewise, the bank has experienced with high employees turnover and poor performances of the bank to compete with its competitors had forced to redesign and revise its compensation and benefit schemes in 2016/17. But, the perception of employees on the redesigning of compensation related to their performance is not well known and understood by the management as well as by the employees. After the improvement of the compensation packed, the bank's performance and profit level was at third level from the private banks in the country (Bank of Abyssinia, 2008) .But after two years, its performance drown to lower grade as stated Bank of Abyssinia, 2010) as compared with the rest ones. Currently, the bank has stopped the mortgage benefit of its employees because of this motivation to perform the work is left unknown.

In consideration of these problems, the study intended to conduct research on compensation and benefits packages deployed by Bank of Abyssinia branches whether the compensation plan/system that the bank gives is most valued by employees.

Research Questions:

Despite the organization effort to design compensation and benefit package that can attract and retain competent employees, in carrying out the study there for an attempt was made to investigate those issues, the researcher proposed the following research questions:

- What is the perception of employees towards the compensation/benefit practices of Bank of Abyssinia?
- Do the current organizational compensation/benefit schemes motivate employees to perform better?

1.3.Objectives of the Study

1.3.1. General Objectives

The general objective of this study is to assess the status of employees' perception towards the existing compensation packages in private bank: in the case of Bank of Abyssinia in Addis Ababa in 2019.

1.3.2. Specific Objectives

- To investigate employees' perception towards existing compensation/ benefit schemes of BOA.
- To assess employees' motivation for the performance of better job with the existing compensation benefit package.

1.4.Operational Definition

Compensation: an incentive approach designed by organizations to encourage performance of individuals regardless of the different type incentives, attract and retain employees.

Benefit: is something paid for being member of the organization.

Perception: is attitude employees have towards policies concerned with their compensation, recognition, promotion and quality of working life, and the influence of the group with whom they identify

Performance: the job related activities expected of a worker and how well those activities are executed.

Motivation: Motivation results in creating a favorable work environment within an organization for the result of compensation or benefits delivered by Bank of Abyssinia to add to the worker that will to work along with the ability to work in order to act as an activator and energizer by directing the behavior of persons towards the accomplishment of its goals. (Parthazarathy and Raju, 2009).

1.5. Significant of the Study

The study on the employee's compensation and benefit plan would have its own significances:

- The research point out the impact of employees' compensation on their performances and motivation.
- The assessment encourages the employees to understand the available compensation packages in the private banks.
- The study enhances the performances of employees and achieves the standards fixed by the bank and the government.
- The study helps the management in complying with the various labor acts of the country in relation to compensation and benefits of employees.
- It motivates researchers to explore more the subject matter and formulate better frameworks.

1.6. Scope and limitations of the Study

The study covers some randomly selected branches among the 181 in Addis Ababa. For the sake of time and resources delimitation, the employees of the bank out of Addis Ababa were not included. For the sake of the quality of information, the employees who joined to the bank after September 30, 2018 were excluded in this study. The secondary data of the bank ranged between 2015 and 2018 reviewed for complementing the primary data. Due to time and resource

constraints, all Addis Ababa branches were not covered in the present study. However, more than 95 percent of the total employees in the selected branches were being included. The study focused on compensation and benefit packages available and being practiced in the bank and employees' perception towards the benefits and compensation as general.

This study is delimited with quantitative data and limited sample size, because it needs in-depth level of research and sufficient fund. And also it was not possible to incorporate compensation and benefit in this study. The method of analysis is also limited to descriptive statistics and further in-depth analysis might inform strong evidences for the management to take corrective actions.

1.7.Organization of the Study

The study organized in five chapters. The first chapter deals with introduction: background of the study, background of the Organization, Statement of the problem, Objectives, Significance, and Scope of the study. The second chapter contains review of related literature relevant to this study. Chapter three discusses on research design and methods of the study. Chapter four also focus on presentation, analysis and interpretation of the data which was collected through structured questionnaire. Finally, Chapter five discusses summary, conclusion, recommendation and limitation of the study. The report also contains references and annexes to the end.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter described and explained the concepts and theories that are relevant to compensation and benefit packages and motivation necessary to facilitate a comprehensive analysis and understanding of the research question and also it may be useful to conceptualize the terms compensation and benefit schemes and employees performance concepts. A broader definition of compensation, benefit and motivation will be introduced in details.

2.2.Theoretical Literature

2.2.1. Definition of compensation

Compensation is an incentive approach designed by organizations to encourage performance of individuals regardless of the different type incentives, attract and retain best employees. Compensation can play an active role in pushing forward individual's capacity and enhance performances, motivating them to develop their skills, empower employees' performance and balance between organizational requirements and its employees' needs which enhance performances and efficiency of the organization (Griffin, 2012; Marwan, 2012).

Compensation is a reward for service rendered by people at work place (Dunn and Rachel, 1971). According to (Carolina, 2010), compensation is the monetary payments (wages, salaries emoluments, bonuses-current and deterred) used to reward employees.

Rewards to retain employees, there are ways to complement compensation that have a much greater impact. Based on the type of compensation, along with the terms and conditions of an employee compensation package, an employer can heighten employee retention. The bank sectors' achievement of their organizational objectives, vision and mission highly dependent on the attraction and retention of competent employees and also largely depends on the presences of motivating environment for them to work safely in terms of their wellness, financial and administrative safety (Dessler, 2011). Adequate incentives have been found one of the Well-designed compensation system which enables organizations to attract the required qualified

employees, retain and motivate the recruited work force to achieve their purposes and survive in the competitive market.

The objectives of compensation system is to create a system of reward that is equitable to employers and employees, so that employees are attracted to work and motivated to do good job for the employer. According to Werther and Davis (1996), effective compensation has seven objectives: Acquire qualified personnel, retain current employees, ensure pay equity, reward desired behavior, control cost, comply with legal considerations, and facilitate understanding. Therefore, compensation refers to any factor which may be financial or non-financial that organizations should adopt to motivate and enhance employees' performance for a particular course of action (Olubusayo, 2014). To the contrary, employees are dissatisfied with the type of compensation; their contribution towards goal attainment tends to be lower. In severe cases, pay dissatisfaction may lower performance, causes strike, increase grievance, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 1996).

2.2.2. Types of Compensation

Compensation can be understood as total amount of the monetary and non-monetary reimbursement provided to an individual in return for labor. There are three general varieties of compensation including direct, indirect and non-financial. (Luthans, 2003).

1. Financial compensation

Financial compensation is regarded as variable payments made to employees on the basis of the amount of output or results achieved or it could be payments made with the aim of pushing employees' performance towards higher targets. And it could also be defined as compensation other than basic wages or salaries (Ugwu and Coker, 2012). Employees are to work smarter and harder with the hope of receiving financial compensation over and above their normal pays. There are two type of compensation

i. Direct financial compensation

Is most widely known and recognized form of compensation. Most sought after by workers, direct compensation is the money which is paid directly to employees in exchange for their labor.

This includes salaries and wages, bonus, tips, promotion and commission. Compensation includes issues regarding wage and salary programs, structures and job descriptions, incentives, bonus- based programs, commission based programs, benefits usually refers to retirement pension, health insurance, disability insurance, vacation, employee stock ownership among others (Gary 2005).

Wages and salaries: Wages and salaries are the remuneration paid or payable to employees for work performed on behalf of an employer or services provided.

Bonus: is an extra payment over and above salary and it acts as an incentive to perform better. It is linked to the profitability and productivity of the organization.

Tips: is a payment received for providing an excellent service

Promotion: Promotion is attached with increase in pay, and this motivates the employee to perform better.

Commission: is a sum of money paid to an employee up on completion of a task or set performance.

ii. Indirect financial compensation

It is a benefit given to an employee that has financial value, but is not a direct monetary payment. It is often referred to as a non-cash benefit. In certain circumstances, these noncash benefits may be more valuable to an employee than a high salary or wage. Include group medical insurance coverage, retirement plan stock option and profit sharing. Some type of indirect composition offered by today organization (Byars and Rul 2008), this include social security, workers compensation, retirement plan, paid holiday and paid for vacation etc.

Group medical insurance coverage: supplementing group medical with group dental coverage, short term and long term disability insurance and life insurance can provide employees with a sense of security for themselves and their families.

Retirement plan: a company's promise to pay a certain amount of retirement benefits to an employee upon the employee's retirement.

Stock Option: This is a system by which the employee receives shares on a preferential basis which results in financial benefits to the employees.

Profit Sharing: This is an arrangement by which organizations distribute compensation based on some established formula designed around the company's profitability.

Stock options and profit sharing programs are not only an incentive for employees to stay but also provide an incentive for employees to be more productive because employees share in the gains.

There are also additional indirect financial compensations that organizations will provide to their employees such as medical allowance, travelling allowance, house rent allowance, hard duty allowance and children educational allowance.

Many banks have been using financial compensation as an effective means of motivation to improve work quality and reducing project time and cost through enhancing cost (Najimu, 2010). Money in the form of wages, piecework or any other compensation pay, bonuses for holydays, stock options, company-paid insurance, or any of the other things that may be given to employees for good perception and better performance is important compensation. The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on employees' perception (Pamela, 2015).

There are major components of a salary structures to use it as a motivating factor. These are the job rate, payments which encourage workers or groups by rewarding them according to their performance, personal or special allowances, associated with factors such as scarcity of particular skills or certain categories of information professionals with long service; and fringe benefits such as holidays with pay, pensions (Shpetim, 2012).

Payment by Result is historically the most widely used compensation scheme by banks, it reward employees according to the number of items or units they produce or the time they take to produce them. And skills-based pay is an input-based payment system in which employees receive pay for the skills or competencies which they acquire. This system gives the employees an opportunity to influence their pay by acquiring more skills that lead to pay increases. Skills-

based pay encourages multitasking and flexibility, which in turn enables the organization to respond faster and more effectively to the needs of customers (Carolina, 2010).

Profit sharing also encourages the thought of everyone being on the same team; the employees have the same goals and are rewarded equivalently. From the employee's point of view profit sharing has disadvantage on the fact that pay levels may decline if the company do not meet its profit expectations (Carolina, 2010). Gain-sharing on the other hand is the payment of cash sums to employees related to the financial gains made by the company because of its improved performance (Armstrong, 2014).

There is a rapid and immediate impact on the individual's efforts that motivate the individual to increase production and improve performance. The individual gains several psychological and social benefits as a result of enhancing his purchasing power to satisfy his needs of goods and services. But financial incentives alone are not sufficient unless assisted by other types of incentives. Their effects are limited to satisfy the biological needs of individuals and have a little impact after it reaches the limit of needs. Therefore individuals are not seeking to increase production for additional financial gains, thus cannot be financially motivated to contribute in increasing production except for a certain amount based on their efforts (Marwan, 2012).

2.Non-financial Compensation

Compensation of this type relies on increasing an employee's sense of satisfaction in his or her work. It is based on recognition by managements that an employee's work is valuable to the business as whole and providing employees with the feeling that the project undertaken is inherently meaningful (Marwan, 2012; Najimu, 2010).

Non-financial compensation schemes are aimed at moral motivation to serve in the interest of the customers of the bank and it attracts certain kind of people who readily identifies the mission of the organization. It could be rewarded in many forms like in forms of participation, handover certificates of thanks or appreciation, arranging training for distinguished employees (Ugwu and Coker, 2012).

These incentives are based on respect of a human being who has feelings, hopes and aspirations. Special opportunities, for instance the chance to experience special training, favored

assignments, flexible working conditions and mentorship can be considered as non-financial incentive to employees in addition to their financial pays. Recognition is one of the means of employee incentive which relatively low cost but high impact means to reward them. Recognition is the demonstration of appreciation confidentially or publicly for a level of performance. Recognition and appreciation of job efforts to employee increase individual's satisfaction and loyalty to work enhance more cooperation with colleagues (Marwan, 2012).

Excellent performance can be achieved when an individual share his/her achievements with others and recognized and celebrated. If employers rely only on financial incentive to recognize contribution and achievements, it is possible that objective of employees will become modified to secure only the financial aspects and this in turn will lead to a degraded culture of the organization. Recognition will be cost effective way of enhancing achievements and enable people to feel involved in the company culture, if it is used correctly.

According to (Carolina, 2010) there are different types of recognition. Verbal and Written Recognition: - are for example expressions of admire or a personal gratitude note. This kind of recognition costs nothing and it makes people feel good. Companies can immediately reward and acknowledge something of importance that was not necessarily planned, such as unexpected and outstanding achievements of individuals and teams.

Such types of non-cash recognition can be especially meaningful to the recipient since it can be customized or personalized. Non-cash recognition also gives the company a possibility to distinguish themselves from other employers due to the fact that this type of recognition cannot be imitated by other companies (Carolina, 2010). Promotion is a movement of a position in which responsibilities and presumably prestige are enhanced. And empowerment is also the process which enables employees to set their own work goals and solves problems within their sphere of responsibility and authority can be considered as incentives (Khan & Gautam, 2014).

2.2.3. Compensation Strategy

A Compensation Strategy is a plan that dictates how employees are paid and rewarded for their work. These ideas are based on the current market for people with the same skills and the overall available funding a corporation is able to expend on payroll. Compensation strategy is also a means of motivation and incentive that increases the value of general payroll systems

Compensation strategy is the method by which organizations attract and retain top talent. This system offers pay packages and annual rewards for ongoing loyalty to a business. It allows a firm to remain competitive with other organizations and helps companies set forth a strong impression of the goals they want to achieve. By generating a compensation strategy, organizations make a show of the skills they value and the type of personnel they want to attract. Creating a diverse pay range encourages employees to work hard and attain higher levels within the business to achieve more accolades and greater compensation. (Shpetim,2012). Incentive compensation strategy refers to commissions, rewards and bonuses awarded to employees who exceed expectations. It is considered part of the overall compensation strategy but is referred to as a talent management and retention policy. This framework is driven by the concept that people work harder to get better compensation. There are keys activities to an effective compensation strategy.

i. Budget Allocation

The strategy should include the organizations' approach to allocating compensation dollars into salary and benefits. This strategy will determine how much of the total compensation budget will be spent on salary and what percentage will be spent on benefits and other incentives (Chappra, 2006).

ii. Benefit Package

Many organizations use benefit packages, in addition to salary, to attract and retain employees. Their goal is to be competitive with health, retirement, tuition reimbursement and other benefits because they understand that it can be the determining factor for a job candidate who is deciding whether to accept a position with an organization, or an employee who is considering leaving (Chappra, 2006).

iii. Performance Management System

It is important to have a structured performance management process to ensure employees are meeting corporate objectives and are assessed on a regular basis. This process should include development of annual goal annual performance appraisals and a structured process for coaching and mentoring employees. Compensation strategies can positively influence employee engagement and improve employee productivity (Chappra, 2006).

2.2.4. Benefits Concepts

Benefits are paid for being member of the organization. It provides protection against health and accident related problems and ensures income at the end of one's work life. For example, in United States legally required benefits includes social security, unemployment compensation, and workers compensation; private programs includes health care, life and disability insurance. Retirement income is provided through pension and saving plan (Randal, 1998). Benefit programs also includes pay for time not worked (for example, vacation, holydays seek leaves and absence pay, breaks and wash up and clean up time. According to Randal (1998), benefits provide firms the opportunity to attract and retain valued employees. He identified several reasons why organizations pay much money into benefit programs. These include: attracting best employees, increase employee morale, reduce employee turnover or increase retention, increase job satisfaction, motivate employees to perform better, enhancing the organizations image among employees and in the community and make better use of compensation per pays.

Although organizations tend to view indirect compensation as a reward, recipients do not always see it that way. This causes organizations to become concerned with their package of indirect compensation and benefits and how they administer (Randal, 1998). The issues include:

2.2.5. Determining the Compensation and Benefit Packages

The compensation and benefit packages should be selected on the bases of what is good for employees as well as the employer. Often knowing employees preference can determine which benefits should be offered. There are series of internal and external factors that influence compensation and benefit decisions (Randal, 1998).

2.2.6. Communicating the Benefit Packages

Providing benefit flexibility is good not only because it gives employees what they are more likely to want but also it makes them aware of the benefit they are gaining and thereby not only increase their morale but also their commitment to the organization. If employees have no knowledge of their benefits there is a little reason to believe the organizations benefit program objectives will be attained (Randal, 1998). Communicating the benefit packages and providing employees with benefit flexibility increase the positive impact of indirect compensation. To

communicate total compensation to employees, some organizations use annual benefit summary to provide a detailed list of costs incurred by the organization to retain, train, support, and reward a member of that organization (Randal, 1998). Communication is a major element in this entire compensation and benefits decision process.

Many employees are unaware of employer efforts. Also, many employees do not understand how their usage patterns ultimately affect cost. Hence, employee education is a major gap that remains to be filled in most organizations. Finally, tomorrow's systems will be highly dependent on an effective understanding and acceptance of compensation policies. With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today as cited by (Schliemann, 1987).

The most technically sophisticated payment plan can generate desired employee reactions or exactly the opposite. The actual effect depends on whether the rationale for the payment plan is understood and accepted and whether employees' perceptions of the facts upon which the rationale is built (e.g., the company's financial health, the pay of employees in other jobs or organizations) are the same as the perceptions of those charged with seeing that the payment plan has the intended effect. (Day,2011)

2.2.7. Employees' Compensation Perception

Perception is the attitude employees have towards policies concerned with their compensation, recognition, promotion and quality of working life, and the influence of the group with whom they identify (Armstrong, 2006). Employees' pay perceptions are important in organization and it will impact the organization talent and business outcomes. (Armstrong 2006) report that the factors of recognition for performing well, chances of promotion, professional growth, compensation and incentive schemes, are perceived as motivating factors by many employees who will in turn feel satisfied. They point out that the development of systems of rewards, recognition and career opportunities as one of several critical tasks of management in the information-based companies and in their research, employees named respectful treatment and recognition as one of the six less costly and perhaps more effective 'management levers' to be exercised by management in their efforts to attract, motivate and retain workers since employees consider such factors to be important. Employees usually do comparison regarding pay, and

based on this comparison they made their perception and often have a negative view of their pay (Dunn and Martin, 2014).

In similar manner, employee feel unhappy or dissatisfied when they feel they are been paid less than their colleagues or friends and in order to manage such misunderstandings, managers need to work correct misperceptions and believes their compensation is directly related with their performance and they are paid accordingly and to improve employees' pay perception, employer should design communication strategies disseminate the right pay information at the right time from their supervisor or managers. Pay knowledge is the key of employee pay perception. If employees have limited pay knowledge, then they don't know how compensation system works, how they can earn more by giving better performance in organization (Diekmann, 2015).

Employee pay perception depends on the real time exchange of pay information and communication strategies and the clarity of pay information provided to employee. When workers believe they receive pay communication on time, they create more positive perception towards organizational procedures, distributions, interpersonal treatment, and information (Day, 2011). If employees receive continuous pay information, their perception about pay system will be more positive. High pay knowledge leads to more pay satisfaction and perceived pay effectiveness at the organizational level (Sweins, et.al, 2009).

Employee perceptions of unfairness are being related by many negative factors. The factors are generically called Counterproductive Work Behaviors (CWB) that is pay fairness as important pillar of pay perception. If employees feel that benefit is distributed fairly, they feel more motivated to perform better. But in lack of pay fairness information, employee feel less motivated and dissatisfied to perform as expected (Okpara, 2006). However apart from pay fairness, Performance based pay was an important dimension affecting pay perception. It is an important factor influence the overall pay satisfaction of employee. Organization need to tightly link the pay and performance.

Employee feel negatively when they found their compensation is not equal to their contribution in their organization's achievement. Compensation perception is also varying among employees' sex, education and experience. Female has negative perception about pay and promotion policy of the organization as compare to male. Because male are more satisfied with organization pay

and promotion (Okpara, 2006). Employee perceive pay policy ineffective if they found difference between individual objective and organization objectives. Compensation information, transparency in pay policy want pay and linked with performance (Diekmann, 2015).

In general, employees' compensation and benefit perception is affected by different factors including employees' demographic characteristics, age of the employees, job, educational qualification, experience, job category, base salary etc. It depends not only on the financial compensation and benefits but also on the non-financial benefits like leave, insurance, medical facility etc. Compensation practices can be intellectually and emotionally charged (Serazul and Khan, 2018). Thus, to improve the pay perception of employee improvement is required in current compensation policy in form of better rewards system, performance bonds, introduction of employee stock option plan, other benefits based on performance.

2.2.8 Compensation Policy

Compensation policy is derived from organizational strategy and its policy on overall human resource management. In order to make compensation management to work effectively, the organization should clearly specify its compensation policy, which must include the basis for determining base compensation, incentives and benefits and various types of perquisites to various levels of employees. The policy should be linked with the organizational philosophy on human resources and strategy. Organizations needs develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees. Dessler (2002). There should be a written policy on compensation related matters including the determination of what, when, and how they pay and related issues computed. According to Dessler(1994) other compensation policies includes the amount of vacation and holyday pay, overtime pay policy, method of payment(i.e. weekly, biweekly, monthly) etc.

2.2.9. Companies' Compensation Packages vs Employees Performance

The impact of compensations on employees' performance is well known phenomenon in the available literature of human resources. A large number of studies have verified that reward is a powerful tool to enhance employee behaviors leading to performance improvement. However, some other studies also observed the negative consequences of rewards such as an environment of favoritism, sexism and racism. Compensation and benefits force employees to behave in

certain ways on any given day may choose to work as hard as possible at a job, to work just hard enough to avoid a warning and punishment. Organizations use different and variety of incentives to reward employees in order to get work performance, but an organization need to consider using the best employee incentives to get the desired results Olubusayo (2014). Individual employee is motivated by different incentives or benefits and it is important to know how they are motivated and what can satisfy them in order to encourage them to have right attitudes to work which will invariably enhances employee performance and organizational productivity. Intrinsic motivators are critical in meeting a person's needs, because they describe a pattern of how an individual may behave Marwan (2012). In competitive environment organizations are forced to consider strategies that will help them become more innovative, productive, and efficient in the industry by considering the need to remain competitive. By using innovative compensation strategies such as incentive programs which are developed with an attempt to align individual motivation and goals with the objectives of the organization. Using Incentive programs with other innovative work practices including flexible job assignments and employment security has positive impact on performance (Dessler, 2002).

2.3. Conceptual framework

This study set a framework identifying the relationships among direct financial, indirect financial, on the job non financial and on the environment non financial compensations as related to their motivation to perform better job.

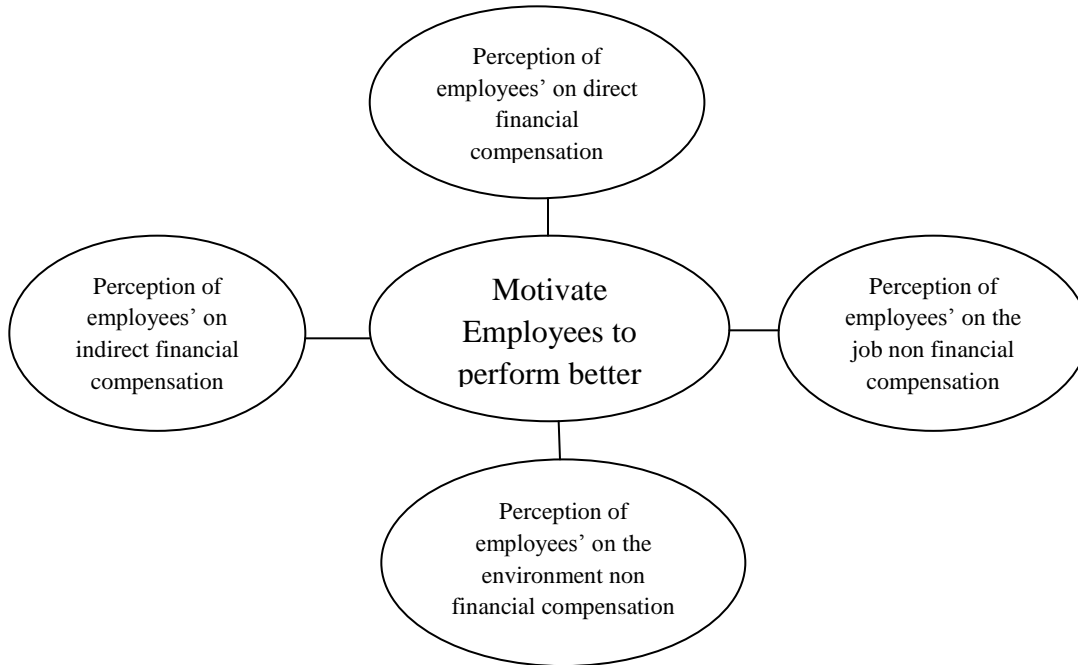


Figure 1: Conceptual framework of the study

Source: The researcher adopted and modified (Demirbag,2007)

2.4. Empirical survey

Seifu (2014), conducted a study on Compensation management practice in Ethio Telecom. The study investigates compensation management practice in Ethio telecom by analyzing the link between compensation package, job satisfaction, motivation and job performance. The study used multi stage sampling procedure to select 368 respondents. Data's are analyzed using descriptive and inferential statistics such as correlation, mean score and standard deviations. The result indicated that employees are somehow satisfied with some of their compensation and benefit package and this could not be taken as the best compensation management practices of the organization. The researcher recommends that equitable and holistic compensation packages are more likely to attract, develop, motivate and retain qualified and competent personnel.

Beruk (2015) conducted a study on assessment on professional employee turnover causes at bank of Abyssinial. The study adopted a descriptive research design to identify the employee turnover causes. The research investigated the reasons why professional employees leave bank of Abyssinia and the reasons why they stay in the bank. Hence, the study revealed that the bank has

not attractive salary and benefit package, the employee employer relationship was not good, there is job security problem, the employee reward program was not competitive, the work place were unfavorable, employees were handled unfairly and irrespectively. The study recommended that the bank need compensation policy, retention scheme policy, modify promotion policies to implement zero discrimination, implement more aggressive reward and recognition program and create conducive working environment to retain its experienced and qualified employees.

Tilahun (2015) assess the study on the title: Assessment of compensation strategy in some selected private commercial banks in Ethiopia. The study was conducted in three private commercial banks, where 348 sample populations was selected from these banks, and questionnaire and interview was used to examine the attitude of employees towards the compensation strategy of their respective bank. The result of the study revealed that the effectiveness of compensation strategy of their respective bank has not been evaluated and the policy was not revised for long time. The researcher recommends that the compensation strategy of the bank and compensation policy should be periodically revised taking in to account the market conditions and the current performance of the employees.

Yohanes (2014) also assesses the study on the title: factors affecting employee turnover and its impact on Ethiopian Evangelical church Mekane yesus. The study has applied stratified random sampling technique by choosing 75 existing employees and 11 ex employees and also used purposive sampling technique to choose 3 department heads. As per the findings of the study dissatisfaction with pay structure, mismanagement, unfair reward and promotion systems were some of the factors for employee turnover. The researcher has further concluded that lack of career advancement, job dissatisfaction, and leader's unwillingness to allow staff participation in decision making, and unfair training system were core factors for turnover.

Various researches were conducted related to the topic under study, but most of them focus on, the effect of compensation on employee performance and productivity, causes of employee turnover, and compensation strategy. This study describes; the perceptions of employees towards direct and indirect financial compensation, and non-financial compensation on the job and on the work environment, and explain the level of employee' opinion on the available compensation and benefit schemes.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In this chapter, research design, population and sampling techniques, source of data & data collection tools, data collection procedure and ethical considerations dealt in each perspective thematic areas.

3.1. Research approach and Design

This cross – sectional survey organized a quantitative research approach to evaluate the employees' compensation and benefit perceptions and practices of BOA among selected branches in Addis Ababa using a structured questionnaire.

A research design is a set of advance decisions that makes up the master plan specifying the methods and procedures for collecting and analyzing the needed information (Burns & Bush, 2003). Saunders, Lewis and Thornville (2007) indicate that research design is the general planning about how the researcher will go about answering his or her research questions. The research design used may vary from research to research. The type of research employed is descriptive, it intends only to investigate the extent to which perception of employees' towards compensation and benefit schemes. Descriptive study is helpful when a researcher wants to look into a phenomenon or a process in its natural contexts in order to get its overall picture instead of taking one or some of its aspects and manipulating it in a simulated or an artificial setting. Thus, descriptive study is intended only to investigate the extent to which perception of employee towards compensation and benefit from a holistic perspective in its natural settings. Moreover, in order to achieve the intended objective, quantitative method is chosen. Hence, the convenient research designs considered suitable for this study is descriptive case Study. In order to conduct this study first the researcher focus on the major problems by taking some initial theory as a background to the problem identified then it focus on the underlying causes problem not just their symptom and link each a problem identified to both relevant theories, evidence, conceptual issues raised by other writers/experts after this by gathering information from employees in both by primary data(questionnaire) and secondary data(organization document, literatures and different books).presentation, analysis and interpretation used in different tools like frequency,

percentage and table. Finally, the researcher forward recommendation to the organization based on the data gathered from employees.

3.2.Sample and Sampling Techniques

Stratified sampling is a process whereby the entire population is grouped into some definite characteristics and these groups are referred to as strata, and from these strata the sampling is chosen by applying random selection technique on each stratum (Babbie,2005: Saunders et al.,2012). Considering the budget and time constraints for data collection, the researcher selected 20 branches randomly from 5 district offices (strata) of the bank in Addis Ababa. Based on the compensation and benefit policy of the bank, every employee has homogeneous compensation and benefit packages and for this the researcher selected sample branches using stratified random sampling techniques; and then the researcher selected participants from each branch using proportional random sampling. To get the relevant information, the study used inclusion criteria of being fixed term employee who worked at least for one year and excluded contract employees and those having less than 1 year of experiences. The final sample size for the study is calculated based on Yaro Yamane's (1969) formula; which is applied by many social science researchers like Obasi and Ekwueme (2011) and Belaynew Asrie (2012).Accordingly, out of 410 employees from 20 branches of BOA located in Addis Ababa, the researcher selected a total of 205 employees as per the equation

$$n = \frac{N}{1 + N(e)^2} = \frac{410}{1 + 410(0.05)^2} = 205$$

Where;

- n = sample size
- N= Sample population, 1 = constant,
- e = error estimate (0.05%) at 95% confidence interval.

3.3.Sources data and methods of data collection

Both primary and secondary sources used to get the required information. The primary data was collected from employees through structured questionnaires.

First, the researcher collect data by interviewing employees of Abyssinia Bank S.C using structured questionnaires by taking a samples after pretesting for ten employees to check whether the question are clear or not. After that, collected data rearranged, edited and calculated in order to become complete data that is needed for this study.

The questionnaire was structured in a 5 point Likert's Scale format. A highly structured question format allows for the use of closed ended questions that require the respondent to choose from a predetermined set of responses or scale points which they agree or disagree with a series of mental belief of the statements about a given subject (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree=2 and Strongly Disagree = 1), however, my pretest result indicated that respondents rated their first choice as number 1 rather than 5. Therefore, to avoid this confusion of respondents, the researcher has changed Likert's scale format as (Strongly Agree=1, Agree=2, Neutral =3, Disagree= 4, Strongly Disagree=5).

3.4.Data Collection Procedures

To collect relevant data for this study, the researcher adopted three methods. First the relevant literatures are reviewed to get adequate information on the topic, secondly objectives and research questions are formulated to show the direction of the study and thirdly the data gathering tools are developed in order to collect the necessary data that were needed to conduct the research.

3.5.Validity and Reliability of the Questionnaire

To assess the inner consistency of every component bunch acquired, the variables were subjected to reliability test. Chronbach alphas were computed to test the internal consistency. It is most commonly used when we have multiple likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable It was deemed that a minimum value of 0.78 would be considered acceptable (Nunnally, 1978).

Table 3.1 Reliability test Cronbach's Alpha

Contracts	Cronbach's Alpha	No. of Items
Direct financial compensation	0.77	8
Indirect financial compensation	0.86	9
On the job non financial compensation	0.76	6
On the environment non financial compensation	0.75	6

(Source: own survey)

The delivered alpha coefficients of above 0.78 demonstrating high inside textures and reliability. Sample of ten structured questioners taken for pretest whether the question were clear or not. After that, collected data rearranged, edited and calculated in order to become valid and complete data that is needed for this study.

3.6.Methods of Data Analysis

Mainly descriptive data analysis was used to analyze the data collected using structured questionnaire and data analysis was done according to the objective of the study and framing the different sections of the questionnaire and the variables under each category. Data presented using descriptive statistics such as tables, percentage and frequency.

3.7.Ethical Considerations

As this study utilizes human participants of Bank of Abyssinia S.C., ethical issues addressed. The consideration of these issues is necessary for the purpose of ensuring the privacy as well as the security of the participants. These issues proactively identify so as prevent future problems that could have been raised during the research process. Among the significant issues that consider included consent, confidentiality and data protection. In order to secure the consent of the selected participants, the researcher relayed all important details of the study, including its aim and purpose. People who participate in the research were giving an ample time to respond to the questions posed on them to avoid errors and inaccuracies in their answers. The respondents give a waiver regarding the confidentiality of their identity and the information that they did not wish to disclose. The confidentiality of the participants also ensure by not disclosing their names

or personal information in the research. Only relevant details that help in answering the research questions included.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRITATION

4.1. Introduction

This chapter deals with results of our analysis based on data collected from 205 employees across 20 branches from 5 districts of BOA by using structured questionnaire. Data was entered in to SPSS version 24 and analysis was also done on SPSS software. The results are presented in the form of tables. The first section in this chapter deals with demography of respondent's, the second section deals with results of data related to financial compensation and the third deals with the analysis related to non financial compensation.

4.1. Demographic characteristics of respondents:

Table 4.1: Respondents Demographic Characteristics

Demography of participants	Category	Frequency	Percent
Sex	Male	114	55.6
	Female	91	44.4
	Total	205	100
Age group	Less than 30	139	67.8
	31-40	57	27.8
	41-50	6	2.9
	51 and above	3	1.5
	Total	205	100
Educational level	Diploma	2	1
	Bachelor Degree	174	84.9
	Masters	29	14.1
	Total	205	100
Years of experience	1- 5 years	168	82
	6-10 years	18	8.8
	11-15 years	15	7.3
	above 16 years	4	2
	Total	205	100
Monthly Basic Salary	Below 10,000 br	60	29.3
	10,001-20,000br	130	63.4
	20,001-30,000br	7	3.4
	Above 30,001br	8	3.9
	Total	205	100
Position Categories	Administrative	17	8.3
	Clerical	187	91.2
	Non clerical	1	0.5
	Total	205	100

These research included sex, age, educational status, length of service year, monthly basic salary and position under demographic data categories of the employees' participated in this research.

Gender: Based on the data obtained from 205 respondents' distribution of gender presented in above table 4.1 shows that 55.6% (n=114) were male and the rest 44.4% (91) were female. Therefore, the researcher argues that dominantly males were involved in BOA.

Age: One of the demographic characteristics of the respondents indicated above is the age category and the distribution age of the participants shown in table 4.1 above indicated that 67.8% (n=139) were below 30 years old, 27.8% (n=57) were between 31 to 40 years old, 2.9% (n=6) were between 41 to 50 and the rest 1.5% (n=3) were above the age of 51. Based on the data obtained from the respondents, from the above shows the mean distribution of the respondents age, were most of the respondents are less than 30 years old with the frequency of 67.8%, while 27% which account 57 of the respondent is between 31-40 years. Among the age bracket between above 40 years has the lowest frequency consisting of only 2.9%.

Regarding educational background of employees working in the bank sector as it is indicated in the above table 4.1, only 1% (n=2) diploma, 84.9% (n=174) first degree and the remaining 14.1% (n=29) are masters degree holders. Hence, the bank has more degree holder employees.

Based on the data obtained from the respondents, from the above table 4.1, indicated that 82% (n=168) of the respondent had worked for 1 to 5 years of experience, 8.8% (n=18) had 6-10 year of experiences, 7.3% (n=15) had 11-15 years of work experiences and the rest 2% (n=4) had above 16 years of experiences. From this data, majority of respondents had short period of experience and few long year of experienced respondents found in the BOA.

As shown in the above table 4.1, 29.3% (n=60) of the respondents earn below 10,000 and majority of the respondents salary fall between 10,001 and 20,000, which accounts for 63.4% (n=130). The rest 3.4% (n=7) and 3.9% (n=8) earn a salary range of 20,001-30,000 and above respectively. This indicated that major of the respondents earn an average salary between birr 10,001-20,000.

As indicated above table 4.1, out of the total sample respondents, 91.2% (n=187) are clerical employees (Tellers, Bank Clerks, Auditors, Accountants and credit and foreign banking officers), 8.3% (n=17) are employees at managerial level. These studies shown that majority of respondents were clerical staffs.

4.2.Perception of Financial Compensation schemes

Table: 4.2a Respondents' perception of Direct Financial Compensation (DFC) schemes

Item	Statistics	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I feel wage and salary paid is equitable with my experience, responsibilities and qualification that is equal to the required job.	Frequency	53	98	4	49	1
	Percentage	25.9	47.8	2.0	23.9	0.5
I feel allowance payments are satisfactory.	Frequency	20	14	34	92	45
	Percentage	9.8	6.8	16.6	44.9	22.0
Rewards for exceptional performance exist in the organization.	Frequency	7	32	22	83	61
	Percentage	3.4	15.6	10.7	40.5	29.8
The basic pay is relatively equitable to the market.	Frequency	51	114	7	23	10
	Percentage	24.9	55.6	3.4	11.2	4.9
The reward system in the organization is predictable and is based on employee's performance.	Frequency	11	19	39	71	65
	Percentage	5.4	9.3	19.0	34.6	31.7
Bones payment is fair when compared to the market.	Frequency	7	61	11	109	17
	Percentage	3.4	29.8	5.4	53.2	8.3
Over time payment is fair compared to the market.	Frequency	0	19	53	107	26
	Percentage	0	9.3	25.9	52.2	12.7
I believe there is reasonable periodical increase in monthly salary.	Frequency	15	42	85	58	5
	Percentage	7.3	20.5	41.5	28.3	2.4
Overall Score	100	24.3	15.6	36.1	14.0	10.0

(Source: Own survey, 2019)

In an effort to measure the employees' perception on the bank's direct financial compensation, the researcher used 8 categorical indicators. The result of the response was presented in table 4.2a.

The researcher raise a question on respondents feeling towards wage and salary payment equitability related to their experience, responsibilities and qualification that requires the job, most respondents 47.8% (n=98) were agree, 25.9% (n=53) were strongly agree but 23.9% (n=49)

were disagree and the rest 2% (n=4) had no opinion for the statement. In support of Mengistu, 2018, “The pay structure is the relative differential among various jobs within the organization and how this is determined. The relative amount of compensation assigned to each job is compared to the job market”.

When the researcher raise a question on the satisfaction of allowance payments, majority of respondents 44.9% (n=92) responded disagree, 22%(n=45), were strongly disagreed, 9.8% (n=20) of respondents responded that strongly agree, 6.8% (n=14) agree and the rest 16.6%(34) were neutral for the statement. Bank of Abyssinia Manual on Staffs regulation, MO16/2007 state that “the allowances that the bank provided to its employees include per diems, housings, disturbance, transportation and cash indemnity”. Even though the bank has its own salaries, allowances and benefits packages to attract potential competent employees and motivate its staff, but the result shows majority of participants (66.9%) have negative feelings on the current allowance payment practice of BOA.

The researcher raise a question towards the existence of reward for exceptional performers of employees, the result showed that few respondents 3.4% (n=7) were strongly agree, 15.6% (n=32) were agree, 40.5% (n=83) were disagree, 29.8% (n=61) were strongly disagree and the rest 10.7% (n=22) were neutral with the statement. According to Pamela,(2015) The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on employees’ perception. (Shpetim,2012). Incentive compensation strategy refers to commissions, rewards and bonuses awarded to employees who exceed expectations. It is considered part of the overall compensation strategy but is referred to as a talent management and retention policy. This framework is driven by the concept that people work harder to get better compensation but this study showed majority of participants 70.3% had negative perception

Regarding basic pay equitability, majority of respondents 55.6% (n=114) agree that basic pay was relatively equitable to the market, 24.9% (n=51) strongly agree, 11.2% (n=23) were disagree, 4.9% (n=10) were strongly disagree and the rest 3.4% (n=7) were neutral with the statement. Most of 80.5% of participants had positive opinion.

When the researcher raise a question on the predictability of reward system whether it was based on employees performance, majority of respondents perceived that 34.6% (n=71) were disagree, 31.7% (n=65) were strongly disagree, but few participants responded positively. 5.4% (n=11) were strongly agree, 9.3% (n=19) were agree, and the rest 19% (n=39) was neutral with the statement. According to Kate Greene (1989) “To overcome the manager long-term planning and development an organization's endeavor to practice different compensation and benefit system that fit with the general standards of working environment, competitive remuneration, and reward system integrated with good organizational management, shared values, and beliefs of their organization that can attract, retain and motivate the desired man power”, but the study result showed opposite to Kate Greene (1989).

The response on the fairness of bonus payment compared to the market, the finding indicated that few participants positively responded; 3.4% (n=7) strongly agreed, 29.8% (n=61) agreed, and majority of them negatively responded i.e 53.2% (n=109) disagreed, 8.3% (n=17) strongly disagreed and the rest 5.4% (n=11) were neutral with the statement.

When respondents asked their opinion on the fairness of overtime payment compared to the market, the finding indicated that no one were strongly agree, 9.3% (n=19) were agree 52.2% (n=107) were disagree, 12.7% (n=26), were strongly disagree and the rest 25.9% (n=53) was neutral with the statement. According to Dessler (1994) Organizations needs to develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees. Dessler (2002) there should be a written policy on compensation related matters including the determination of what, when, and how they pay and related issues computed to other compensation policies includes the amount of vacation and holyday pay, overtime pay policy, method of payment (i.e. weekly, biweekly, monthly) etc. but this study result showed opposite to Dessler.

Responses to the reasonability of periodic increase in salary showed that 41.5% (n=85) were neutral with this statement, 7.3% (n=15), strongly agreed, 20.5% (n=42) agreed, 28.3% (n=58) disagreed, and the rest 2.4% (n=5) strongly disagreed.

In general, the overall perception satisfaction of the study participants on the direct financial compensation packages of the bank indicates that the employees agree in more than 39.9% and disagreed in about 24 %, while around 36.1% of them were neutral. This indicates that the despite the need to improve the perception and satisfaction of employees’ on direct financial compensations.

Table: 4.2b Respondents’ perception of Indirect Financial Compensation (IDF) schemes.

Item	Statistics	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I I feel the number of vacation set by the bank is adequate for me.	Frequency	19	80	54	30	22
	Percentage	9.3	39	26.3	14.6	10.7
I feel the health and safety insurances set by the bank is adequate for me.	Frequency	22	116	15	36	16
	Percentage	10.7	56.6	7.3	17.6	7.8
I feel sick leave probation policy is fair.	Frequency	19	84	72	12	18
	Percentage	9.3	41.0	35.1	5.9	8.8
I feel the bank contribution of provident fund is fair.	Frequency	16	44	106	23	16
	Percentage	7.8	21.5	51.7	11.2	7.8
The bank support for tuition and registration for education and training is fair	Frequency	1	3	46	85	70
	Percentage	0.5	1.5	22.4	41.5	34.1
The retirement benefit scheme offered by my employer is satisfactory and reflects my current level of performance	Frequency	11	18	130	35	11
	Percentage	5.4	8.8	63.4	17.1	5.4
I am happy with company’s assistance for housing loan	Frequency	32	105	3	49	16
	Percentage	15.6	51.2	1.5	23.9	7.8
I am happy with company’s assistance for vehicle loan.	Frequency	32	45	41	74	13
	Percentage	15.6	22	20	36.1	6.3
I am happy with company’s assistance for personal loan.	Frequency	50	96	27	30	2
	Percentage	24.4	46.8	13.2	14.6	1

(Source: Own survey, 2019)

In an effort to measure the employees’ perception on the bank’s indirect financial compensation, the researcher used 9 categorical indicators. The result of the response was presented in table 4.2b. Employees perception on adequacy of number of vacation set by the bank showed majority of participants 39% (n=80) agreed, 9.3% (n=19) strongly agreed, 14.6% (n=30) disagreed, 10.7% (n=22), strongly disagreed and the rest 26.3% (n=54) have no opinion for the statement.

Respondents opinion towards adequacy on health and safety insurance set by the bank showed that 56.6% (n=116) agreed, 10.7% (n=22) strongly agreed, 17.6% (n=36) disagreed, 7.8% (n=16), strongly disagreed and the rest 7.3% (n=15) were neutral with the statement.

On the other hand, concerning the fairness of sick leave probation policy, most of them 41% (n=84) agreed, 9.3% (n=19) strongly agreed, 5.9% (n=12) disagreed, 8.8%(n=18), strongly disagreed and the rest 35.1% (n=72) were neutral with the statement. Results on employees perception on the fairness of the bank contribution of provident fund indicated that 51.7% (n=106) were neutral with the statement, 7.8% (n=16) strongly agreed, 21.5% (n=44) agreed, 11.2% (n=23) disagreed, and the rest 7.8%(n=16) strongly disagreed.

Regarding the bank support towards tuition and registration for education and training, the finding indicated that 0.5% (1) strongly agreed, 1.5% (n=3) agreed, 41.5% (n=85) disagreed, 34.1% (n=70), strongly disagreed and the rest 22.4% (n=46) were neutral with the statement. This indicates that most participants are not happy on the tuition support. But Chappra (2006) Many organizations use benefit packages, in addition to salary, to attract and retain employees. Their goal is to be competitive with health, retirement, tuition reimbursement and other benefits because they understand that it can be the determining factor for a job candidate who is deciding whether to accept a position with an organization, or an employee who is considering leaving.

The researcher raise a question on whether retirement benefit scheme offered by the bank was satisfactory and reflects current level employees performance, the finding indicated that most participants 63.4% (n=130) was neutral with the statement 5.4% (n=11), were strongly agree 8.8% (n=18) were agree 17.1% (n=35) were disagree, and the rest 5.4% (n=11), were strongly disagree.

With regard to what extent respondents address their responses of happiness in the assistance towards housing loan, the finding of respondents shows almost half participants 51.2% (n=105) were agree, 15.6% (n=32) were strongly agree, 23.9% (n=49) were disagree, 7.8% (n=16) were strongly disagree and the rest 1.5% (n=3) was neutral with the statement.

Again the researcher asked respondents on their level of happiness with the bank assistance towards vehicle loan, the finding of respondents shows that most respondents 36.1% (n=74) were disagree, 15.6% (n=32) were strongly agree, 22% (n=45) were agree, 6.3% (n=13), were strongly disagree and the rest 20% (n=41) was neutral with the statement. Over again the researcher asked

respondents on their level of happiness with the bank assistance towards personal loan, the finding of respondents shows that most of them 46.8% (n=96) were agree, 24.4% (n=50) were strongly agree, 14.6% (n=30) were disagree, 1% (n=2), were strongly disagree and the rest 13.2% (n=27) was neutral with the statement.

According to Randal, 1998 and Desslier, 1994, there should be written policy on compensation and related matters including the determination of what, when and how the organization pay for its employees and also the employees must be clear on the companies pay policy to motivate them to perform better. Likewise, the findings indicated under feeling of number of vacation (48.3%), health and safety insurance (67.3%), and sick leave (50.3%), respondents have positive perceptions but bones (61.5%) had negative opinion Provident fund and retirement benefits, the majority of respondents (51.7 and 63.4%) respectively had no opinion towards the financial benefits for time not worked (vacation, health and safety insurance, bones, sick leave, over time, provident fund and retirement).

In general, the overall perception of the study participants on the indirect financial compensation of the bank indicate that the employees agree in more than 43% and disagreed in about 30 percent, while around 26% of them were neutral. This indicates that the despite the need to improve the indirect financial compensation.

4.3. Perception of non financial compensation schemes.

Table: 4.3a Respondents' perception on the job of non-financial compensation schemes

Item	Statistics	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I feel I am appreciated at work because the bank gives enough recognition for well done work	Frequency	9	41	21	56	78
	Percentage	4.4	20.0	10.2	27.3	38.
My present job is relevant to the growth and development of the bank.	Frequency	91	114	0	0	0
	Percentage	44.4	55.6	0	0	0
There are equal self development opportunities for employees.	Frequency	17	50	43	74	21
	Percentage	8.3	24.4	21	36.1	10.2
I receive adequate training and information to perform my job better.	Frequency	28	108	4	45	20
	Percentage	13.7	52.7	2	22	9.8
I am involved in a compensation related decision.	Frequency	3	20	38	125	19
	Percentage	1.5	9.8	18.5	61	10.2
The existing compensation and benefit schemes offered by the bank motivate me to perform my job better.	Frequency	2	86	12	92	13
	Percentage	1	42	5.9	44.9	6.3
Overall	Percentage	12.2	34.1	9.6	31.9	12.4

(Source: Own survey, 2019)

The respondents indicated above are the indicators of non financial compensation on their job measured using 6 indicators. It is used to rate respondent's perception, motivation and on the available compensation the bank provided to its staffs.

When the respondents asked in this study to express their feeling on appreciation or recognition given by the bank for well done works, the finding indicated that, 4.4% (n=9) were strongly agree, 20% (n=41) were agree, 27.3% (n=56) were disagree, 38% (n=78), were strongly disagree and the rest 10.2% (n=21) were neutral with the statement. Respondents didn't feel as if appreciated or recognized for their better performance the researchers finding was in contrary with some literatures like Marwan (2012) and Najimu (2010) stated "non financial compensation relies on increasing an employee's sense of satisfaction in his or her work. It is based on the recognition by managements that an employee's work is valuable to the business as whole and providing employees with the feeling that the work done in the company undertaken is inherently meaningful to them.

The sample respondents are also asked the relevance of their job for the growth and development of the bank. The result indicated all of the respondents positively responded. 55.6% (n=114) were agreed and 44.4% (n=91) were strongly agreed, no one respond disagree, strongly disagree and neutral with the statement. The finding supports Marwan(2012) and Najimu(2010) concept "It is based on the recognition by managements that an employee's work is valuable to the business as whole and providing employees with the feeling that the work done in the company undertaken is inherently meaningful to them.

The researcher asked respondents opinion whether self development opportunity was equal for all employees, the result indicated that 8.3% (n=17) were strongly agree 24.4% (n=50) were agree 36.1% (n=74) were disagree, 10.2% (n=21), were strongly disagree and the rest 21% (n=43) was neutral with the statement. The finding disagree Okpara (2006) that states "Employee perceptions of unfairness are being related by many negative factors. The factors are generically called Counterproductive Work Behaviors (CWB)" that is fairness as important pillar of perception. If employees feel that benefit is distributed fairly, they feel more motivated to perform better. But lack of fairness, employees feels less motivated and dissatisfied to perform as expected.

When respondents asked their opinion on the adequacy of getting training and information to perform better job, the finding indicated that more than half 52.7% (n=108) were agree, 13.7% (n=28) were strongly agree (n=45) were disagree, 9.8%(n=20), were strongly disagree and the rest 2% (n=4) was neutral with the statement.

When the researcher raise a question that whether respondents participates in compensation related decision, the finding indicated that majority of them 61% (n=125) were disagree, 10.2% (n=19) were strongly disagree, 1.5% (n=3) were agree, 9.8% (n=20), were agree and the rest 10.2% (n=19) was neutral with the statement. This study result is opposite to Randal,(1998) which stated, “The compensation and benefit packages should be selected on the bases of what is good for employees as well as the employer. Often knowing employees preference can determine which benefits should be offered. There are series of internal and external factors that influence compensation and benefit decisions.

When the researcher raise a question on the existence of compensation and benefit schemes offered by the bank motivate to perform better job, the result indicated that 1% (n=2) were strongly agree, 42% (n=86) were agree, 44.9% (n=92) were disagree, 6.3% (n=13), were strongly disagree and the rest 5.9% (n=12) was neutral with the statement. But the research finding is opposite to Mengistu (2018) best designed compensation and benefit schemes affect the motivation of the employees that determine their work performance.

In general, the overall perception of the study participants on the job non financial compensation of the bank indicate that the employees agree 46.3% and disagreed 44.3%, while 9.6% of them were neutral. This indicates that the despite the need to improve the on the job of non financial compensation.

Table: 4.3b Respondents’ Perception on work Environment of Non Financial Compensation schemes.

Item	Statistics	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I am happy with organizational culture.	Frequency	33	52	19	86	15
	Percentage	16.1	25.4	9.3	42	7.3
I am happy with work environment of the bank	Frequency	30	105	12	46	12
	Percentage	14.6	51.2	5.9	22.4	5.9
The bank protects me from harm and safe guard on my work place and condition.	Frequency	16	40	17	111	21
	Percentage	7.8	19.5	8.3	54.1	10.2
The bank provides flexible compensation system.	Frequency	15	27	39	108	16
	Percentage	7.3	13.2	19.0	52.7	7.8
The bank periodically evaluates the effectiveness of compensation.	Frequency	6	72	108	17	2
	Percentage	2.6	35.1	52.7	8.3	1
The bank clearly communicates the available compensation benefits to its staffs.	Frequency	9	12	75	93	16
	Percentage	4.4	5.9	36.6	45.4	7.8
Overall	Percentage	8.8	25	22	37.5	6.7

(Source: Own survey, 2019).

The respondents indicated above are the indicators of non financial compensation on their work environment measured using 6 indicators. It is used to rate respondent’s perception, motivation on the available compensation the bank provided to its staffs.

Participants response on the level of happiness towards organizational culture showed majority 42% (n=86) were disagree, 7.3% (n=15), were strongly disagree, 16.1% (n=33) were strongly agree, 25.4% (n=52) were agree, and the rest 9.3% (n=19) was neutral with the statement. According to Gebremedhin (2013), Non-financial compensation includes the satisfaction that an employee gets from the job itself or from the psychological and/or physical environment in which the employee works. But the practice of the BOA on non financial compensation and respondents’ reflection showed contrary with Gebremedhin (2013) majority (49.3%) of the respondents’ had negative feeling 41.5%, had positive feeling and few (7.3%) of had no opinion regarding on the culture of the bank.

When participants asked their level of happiness towards their work environment, the finding showed that more than half 51.2% (n=105) were agree, 14.6% (n=30) were strongly agree, 22.4% (n=46) were disagree, 5.9% (n=12), were strongly disagree and the rest 5.9% (n=12) was neutral with the statement. According to Bernardin (2010), the vision of most business organization like private banks’ human resource is to building a better bank; working in partnership to create an environment where people can thrive and are enabled to deliver

sustainable organizational performance using motivated and well performing employees but the result of this study was parallel that BOA had created positive perception for the majority (65.8%) of respondents.

When the researcher raise a question on the bank protection of employees that safe guard on work place conditions, the respondents opinion indicated more than half 54.1% (n=111) were disagree, 10.2% (n=21) were strongly disagree, 7.8% (n=16) were strongly agree, 19.5% (n=40) were agree, and the rest 8.3% (n=17) was neutral with the statement.

The researcher ask respondents that whether the bank provide flexible compensation system, the finding indicated majority of them had negative response 52.7% (n=108) were disagree, 7.8% (n=16), were strongly disagree, 7.3% (n=15) were strongly agree 13.2% (n=27) were agree and the rest 19% (n=39) was neutral with the statement. The researcher again ask respondents that whether the bank periodically evaluate the effectiveness of compensation, more than half 52.7% (n=108) were neutral with the statement, 2.6% (n=6) were strongly disagree, 35.1% (n=72) were disagree, 8.3% (n=17) were disagree, 1% (n=2) were strongly disagree. In order to minimize turnover rate flexible compensation system and periodic evaluation of its effectiveness is essential but respondents have negative opinion.

When the researcher raise a question whether the bank clearly communicate the available compensation and benefits to its staffs, the result showed majority of respondents 45.4% (n=93) were disagree, 7.8% (n=16) were strongly disagree, 4.4% (n=9) were strongly agree, 5.9% (n=12) were agree, and the rest 36.6% (n=73) was neutral with the statement. Greene (1989) recommended some central principles on compensation like pay structures needs to be easy to communicate and understand, create a system for the entire organization while recognizing that not everyone should be paid or benefited and align pay with company goals at an individual or company level.

In general, the overall perception of the study participants on the work environment of non financial compensation of the bank indicate that the employees agree 33.9% and disagreed 44.1%, while 22% of them were neutral. This indicates that the despite the need to improve the on the work environment non financial compensation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

In this chapter, the major findings of the study summarized, conclusions drawn based on the results of the study and the recommendations are suggested.

5.1. Summary

- When we see the respondents by gender, most of the respondents are male.
- In terms of age most of the respondents are less than 30 years.
- Regarding educational level of the respondents, it showed that majority of respondents are first degree holder.
- When we see length of service year, most of respondents are less than 5 year worked in BOA
- With regards to monthly salary most of the respondents earn between 10,001br to 20,000.
- In terms of position, most of the respondent is Clerical Staff.
- Majority of the respondents agree on feeling of wage and salary paid equitability with their experience, responsibilities and qualification that is equal to the required job.
- Majority of the respondent disagree on rewards for exceptional performance existence and allowance payments satisfaction in the organization.
- With regards to the basic pay relatively equitable to the market compensation the finding indicated that majority of the respondent are agree.
- According to the implementation of reward system in the organization predictable and is based on employee's performance.
- The data shows, most of respondents on bones payment comparison to the market agreed on in BOA relative to other banks.
- As presented in the given data, majority of the respondents agree on feeling of number of vacation adequacy, the health and safety insurances, sick leave probation policy, sick leave probation policy, and assistance of housing and personal loan.
- According to the results, most of the respondents are disagree with the bank support for vehicle loan, tuition and registration for education, over time payment and training organization.

- From the given data the majority of the respondents are neutral with the statement of the retirement benefit scheme offered by my employer and reasonable periodic increase in salary.
- With regards to the feeling of appreciation at work because the bank gives enough recognition for well done work, respondents strongly disagree.
- The data shows, all respondents strongly agree and agree on the issue of their present job relevance for the growth of the bank.
- According to the development opportunities for employees and involvement in a compensation related decision most respondents are disagreed.
- The result shows that majority of respondents agree that adequate of training and information to received to perform their job better.
- Most of respondents disagree on the existing compensation and benefit schemes offered by the bank motivate me to perform my job better.

5.2. Conclusion

This study was designed to assess the compensation practice of bank of Abyssinia, employees' perception on the financial and non financial compensation and benefits and their level of performance. As a result the perception of employees towards direct and indirect financial compensation and non-financial compensation such as the job and working environment were assessed and the following conclusions are drowned.

- Employees had negative perception on direct financial compensation and benefits like periodical monthly salary increment, fairness of over time payment, bones payment, the predictability of the reward system based on employee's performance, allowance payments and rewards for exceptional performance exist in the organization.
- Most of employees of BOA had positive perception only on some direct financial compensation like the wage and salary they paid is equitable with their experiences, responsibilities and qualification which are relevant to the required job and they perceive that the basic pay they received from the bank is relatively equitable to the current market.
- Employees positively perceived that the indirect financial compensation and benefits offered by the bank like; health and safety insurance policy, assistance for housing loan, personal and staff loans, sick leave probation policy and vacation. But the employees of the banks under

study have negative perception on support for tuition and registration for education and vehicle loan. Majority of the respondents have neutral opinions on salary increment, provident fund contribution and retirement benefit scheme.

- Regarding non-financial on the job compensation and benefit, employees have positive perception on their present job relevance to the growth and development of the bank and on the adequacy of training and information received for the better job performance. But they have negative perception on the banks' appreciation and recognition for their well done work.
- The employees feel positive for the non-financial work environment compensation like their work environment, equity of self development opportunity, involvement on compensation related decision and also they feel motivated to perform their job better because of the existing compensation and benefit scheme offered by the bank. But they don't feel happy on the organizational culture, protection from harm and safeguarding of at work places, the banks' compensation system flexibility and on clarity of communication on availability of compensation and benefit to the employees. More than half of the respondents have balanced perception on periodic evaluation on the effectiveness of the existed compensation practice.

5.3 Recommendations

Based on the findings of this study, there are recommendations forwarded for better improvement of employees' perception and the banks' practice towards compensation and benefit and also I would like to forward my recommendation to researchers for comprehensive survey using mixed approaches.

- The management of BOA needs to design strategies to strengthen employees' positive perceptions toward their compensation and benefit schemes provided by the bank.
- The findings revealed that many employees had no clear perception due to lack of clear communication to made them aware of their available compensation and benefit schemes like, reasonable periodic increases in salary, PF and retirement benefit; therefore, the bank has to design and implement an appropriate communication strategies and help its staffs to understand their compensation and benefits which in turn increases them to make informed decision.

- The bank management has to further understand the level of employees' perception and the reason why most of employees negatively perceived the current direct financial (DF) compensation and benefit packages of the bank to reduce dissatisfaction and de motivation of its staffs.
- The bank management strictly recommended for re-thinking and redesigning the existing rewarding, acknowledgement or recognition mechanisms to improve employees' perception which motivates them to perform better.
- This study will be input for researchers to investigate the perception, performance and practices of compensation and benefits in the bank industry using mixed research approaches which this study lacks.

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APPENDICES

APPENDIX I Questionnaires

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MA-GENERAL BUSINESS ADMINISTRATION

Dear Sir/Madam,

I am **Atsede Taye**, a General MBA student at St. Mary University. Currently I am undertaking a cross sectional assessment of employee's compensation and benefit case study in Bank of Abyssinia for the fulfillment of MBA requirement thesis.

I kindly request you for your participation in this research in providing your relevant information which is vital for my study project completion. I would be grateful if you could spare some time from your busy schedule and participate in the study. All the information provided will be used purely for the specified academic purposes only and will be treated with utmost confidentiality.

General instructions

- No need to write your name
- Please complete the following questions to reflect your opinions as accurately as possible.

To answer factual questions to the best of your knowledge please check mark (√) the box that best corresponds to your answer for each question below.

Kindly contact me through telephone +251 913102621 or through email: atsemele7@gmail.com in case of any enquiries or clarification on any of the questions.

Thank you in advance for your cooperation!

Section A: Demography of participants

1. Sex:

Male Female

2. Age:

Less than 30 years 31 – 40 years 41 -50 years Above 50 years

3. Educational Qualification:

10+3 and below Diploma Bachelor Degree Masters

4. Length of service year in BOA:

Less than 5 years 6- 10 years 11 – 15 years above 16 years

5. Monthly Basic Salary

Below 10,000 birr 10,001 – 20,000 birr 20,001 – 30,000 birr above 30,000 birr

6. Position category

Administrative Technical Supportive

Section B: Questions related to Employee’s perception towards compensation and benefit practices while working at Bank of Abyssinia.

Listed below are statements related to compensation and benefit in your bank. Please indicate your level of agreement with the statement by putting a check mark (√) on appropriate number. Where,

1= Strongly agree 2=Agree 3=Neutral 4=Disagree 5=Strongly disagree

I.	BOA direct financial compensation practice	1	2	3	4	5
1.	I feel wage and salary paid is equitable with my experience, responsibilities and qualification that is equal to the required job.					
3.	I feel allowance payments are satisfactory.					
4.	Rewards for exceptional performance exist in the organization.					
5.	The basic pay is relatively equitable to the market.					
6.	The reward system in the organization is predictable and is based on employee’s performance.					
7.	Bones payment is fear compared to the market.					

8.	Over time payment is fear.					
9.	I believe there is reasonable periodical increase in salary.					
II.	BOA indirect financial compensation practice					
1.	I feel the number of vacation set by the bank is adequate for me.					
2.	I feel the health and safety insurances set by the bank is adequate for me.					
3.	I feel sick leave probation policy is fear.					
4.	I feel the bank contribution of provident fund is fair.					
5.	The bank support for tuition and registration for education and training is fair					
6.	The retirement benefit scheme offered by my employer is satisfactory and reflects my current level of performance					
7.	I am happy with company's assistance for housing loan					
8.	I am happy with company's assistance for vehicle loan.					
9.	I am happy with company's assistance for personal loan.					

1= Strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly disagree

I	BOA non financial compensation practices on the job.	1	2	3	4	5
1.	I feel I am appreciated at work because the bank gives enough recognition for well done work					
2.	My present job is relevant to the growth and development of the bank					
3.	There are equal self development opportunities for employees.					
4.	I receive adequate training and information to perform my job better.					
5.	I am evolved in a compensation related decision.					
6.	The existing compensation and benefit schemes offered by the bank motivate me to perform my job better.					
II	BOA non financial compensation practices on work environment.					
1.	I am happy with organizational culture.					
2.	I am happy with bank work environment					
3.	The bank protects me from harm and safe guard on my work place and condition.					
4.	The bank provides flexible compensation system.					
5.	The bank periodically evaluates the effectiveness of compensation					
6.	The bank clearly communicates the available compensation benefits to its staffs.					

APPENDIX II. Proportional Sampling

Population(P)	Sample(S)	Study Population(STP)	Sample Population(SP)
410	205	19	10
410	205	22	11
410	205	23	12
410	205	22	11
410	205	20	10
410	205	19	10
410	205	20	10
410	205	22	11
410	205	20	10
410	205	20	10
410	205	21	11
410	205	22	11
410	205	20	10
410	205	20	10
410	205	19	10
410	205	20	10
410	205	21	11
410	205	20	10
410	205	19	10
410	205	21	11
		410	205

$SP=(S/P)*STP$

DECLARATION

I, the under signed declare that this thesis is my original document prepared under the guidance of Worku Mekonnen (Dr.). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature & Date

ENDORSMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

Advisor

Signature & Date