



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**EFFECT OF FINANCIAL COMPENSATION ON EMPLOYEE  
PERFORMANCE THE CASE OF AHADU RADIO AND  
TELEVISION PLC**

**BY**

**TSINAT MELAKU**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS  
ADMINISTRATION**

**JUNE, 2024  
ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**EFFECT OF FINANCIAL COMPENSATION ON EMPLOYEE  
PERFORMANCE THE CASE OF AHADU RADIO AND  
TELEVISION PLCE**

**A Thesis Submitted to the School of Graduate Studies of St. Mary's  
University in Partial Fulfillment for the Award of Masters of Arts  
Degree in Business Administration**

**By:  
Tsinat Melaku**

**June, 2024**

**Addis Ababa, Ethiopia**

## **CERTIFICATION SHEET**

This is to certify that the thesis entitled “*The effect of financial compensation management on Employee performance in case of Ahadu Radio and Television*” submitted to St. Mary University for the award of the Degree of Master of Business Administration (MBA) and is a record of confide research work carried out by Tsinat Melaku, under our guidance and supervision.

*Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.*

Main Adviser’s Name

Date

Signature

Shoa Jemal (Ass. Professor)

\_\_\_\_\_

\_\_\_\_\_

## DECLARATION

I hereby declare that this thesis entitled “The effect of financial compensation management on employee performance in case of Ahadu Radio and Television”, has been carried out by me under the guidance and supervision of Shoa Jemal (Ass. Professor).

The thesis is original and has not been submitted for any degree or diploma award to any university or institution.

Researcher’s Name

Date

Signature

Tsinat Melaku

June, 2024

**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**EFFECT OF FINANCIAL COMPENSATION ON EMPLOYEE PERFORMANCE THE CASE  
OF AHADU RADIO AND TELEVISION PLC**

**BY**

**Tsinat Melaku**

**Approved by Board of Examiners**

_____	_____	_____
<b>Research Advisor</b>	<b>Signature</b>	<b>Date</b>

_____	_____	_____
<b>Internal Examiner</b>	<b>Signature</b>	<b>Date</b>

_____	_____	_____
<b>External Examiner</b>	<b>Signature</b>	<b>Date</b>

## **Acknowledgement**

First, I would like to thank the almighty God for all the blessings that made me accomplish to this study. Next, I would like to thank my deepest gratitude to my thesis advisor, Shoa Jemal (Ass. Professor), for his helpful guidance, patience and availability. Without his advice and mentorship, this research wouldn't be completed successfully.

I would also like to express my heartfelt gratitude to my family. I am forever indebted. Besides, I am so grateful to thank my friends for their guidance and encouragement.

Finally, I would like to thank again all the respondents who were willing to take their time in filling the research questionnaires.

## Table of Contents

CERTIFICATION SHEET .....	iii
DECLARATION .....	iv
Acknowledgement.....	vi
List of Tables.....	ix
Abbreviations and Acronyms.....	x
Abstract .....	xi
CHAPTER ONE INTRODUCTION.....	1
1.1. Background of the study .....	1
1.2. Statement of the Problem.....	3
1.3. Objectives of the Study .....	5
1.3.1. General Objectives .....	5
1.3.2. Specific Objectives.....	5
1.4. Basic research questions.....	5
1.5. Significance of the Study .....	5
1.6. Scope of the Study .....	6
1.7. Limitation of the Study .....	6
1.8. Organization of the Study .....	7
CHAPTER TWO LITERATURE REVIEW .....	8
2.1. Theoretical Review .....	8
2.1.2. Concept of Compensation: .....	9
2.1.3 The components of a compensation system .....	9
2.2 Empirical Literature Review .....	21
2.3 Conceptual Framework .....	23
2.4 Research Hypothesis .....	24
CHAPTER THREE RESEARCH METHODOLOGY .....	25
3.1 Research Approach .....	25
3.2 Research Design.....	25
3.3. Sampling Design .....	26
3.3.1. Target Population .....	26
3.3.2. Sample Size .....	26
3.3.3. Sampling Technique .....	27
3.4. Data Collection Instrument .....	27

3.5. Data Collection Procedure .....	29
3.6. Instrument Validity and Reliability .....	29
3.6.1 Instrument Validity .....	29
3.6.2 Instrument Reliability .....	30
3.7. Data Analysis .....	31
3.8. Ethical Consideration .....	32
CHAPTER FOUR DATA ANALYSIS AND INTERPRETATION .....	33
4.1 Response Rate .....	33
4.2 General information of respondents .....	33
4.3 Descriptive analysis of study variables .....	35
4.3.1. Basic Pay, Salary Increment, Allowances Bonus .....	36
4.4. Inferential Statistical Analysis .....	38
4.4.1 Correlation Results .....	38
4.5. Assumptions for linear regressions .....	40
4.5.1 Multicollinearity .....	41
4.5.2 Homoscedasticity .....	41
4.5.3 Linearity .....	42
4.5.4 Autocorrelation .....	43
4.5.5. Normality .....	44
4.6. Analysis of Regression Results .....	44
4.7 Testing Hypothesis .....	47
CHAPTER FIVE FINDINGS, CONCLUSION AND RECOMMENDATIONS .....	50
5.1 Summary of Findings .....	50
5.2 Conclusions .....	51
5.3 Recommendation .....	52
References .....	54
Appendix II QUESTIONNAIRE .....	58
Appendix III Interview Questions .....	62



## List of Tables

Table 3.1: Reliability Test Result .....	31
Table 4.1: Response Rate.....	33
Table 4.2: General Information of the Respondent .....	34
Table 4.3: Descriptive statistics result interpretation guide.....	36
Table 4.4 Descriptive Statistics Result of Basic Pay, Salary Increment, Allowances Bonus.....	36
Table 4.5: Respondents view on organizational performance .....	<b>Error! Bookmark not defined.</b>
Table 4.6: Pearson correlation financial compensation and organizational performance .....	39
Table 4.7: Multicollinearity test for the study variables .....	41
Table 4.8: Breusch-Pagan for heteroscedasticity .....	42
Table 4.9: Durbin-Watson test for autocorrelation .....	43
Table 4.10: Model Summary for financial compensation management and the organizational performance .....	45
Table 4.11: ANOVA for financial compensation and the organizational performance a .....	45
Table 4.12: Coefficients for HRM practices and the organizational performance .....	46

## **Abbreviations and Acronyms**

EDRE	Federal Democratic Republic of Ethiopia
CM	Compensation Management
HR	Human Resource
HRM	Human Resource Management
HRMP	Human Resource Management Practice
HRP	Human Resource Planning
ICT	Information Communication Technology
IT	Information Technology
OP	Organizational Performance
PA	Performance Appraisal
RBV	Resource Based View
RS	Recruitment and selection
SHRM	Strategic Human Resources Management
SPSS	Statistical Package for the Social Sciences
TD	Training and Development

## **Abstract**

*This study seeks to assess the effect of financial compensation on organizational performance of Ahadu Radio and Television. This research studied financial compensation practices in the area of Basic pay, Allowances, Cash bonus and Salary increment. Both Explanatory and descriptive design was used while a questionnaire was used to gather primary data. The study sample in terms of the respondents covered randomly selected 156 employees of Ahadu Radio and Television at main office and branch offices in Addis Ababa. The data collected was analyzed with the aid of descriptive statistical techniques such as frequencies, percentages and mean score. More so, correlation and multiple linear regressions were used to examine the relationship between study variables using Statistical Package of Social Sciences Version 25. The findings of the study revealed that the combined effect of various financial compensation management practices influenced organizational performance positively. The result of regression also indicates that all predictor variables (Basic pay, Allowances, Cash bonus and Salary increment) have statistically significant contribution on organizational performance. The adjusted  $R^2$  of 0.481 indicates 48.1% of the variance in organizational performance can be predicted by financial compensation management practiced by the company. Thus, it can be concluded that improved financial compensation management practices are significantly influencing organizational performance. Therefore, the management of Ahadu Radio and Television should improve its financial compensation management practices as a way of improving the company performance.*

**Key Words:** *Financial compensation, Organizational performance, Basic pay, Allowances, Cash bonus and Salary increment*

# CHAPTER ONE

## INTRODUCTION

This chapter dealt with introduction to the study and includes background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, limitations of the study, and definition of key operational terms.

### **1.1. Background of the study**

Most organizations seek to optimize their return on investment and in order to do that they need to be efficient. One way to improve the productivity is to optimize the utilization of the organizations' human capital (Appelbaum and Hare, 1996). In order to maintain the organizational efficiency and productivity, the managers and board members can use different steering instruments to control the activities in the company. One of these steering instruments available is the use of a reward system which purpose is to motivate the employees to act in the best interest of the organization as well as to reach organizational goals.

A motive is a reason for doing something for moving in a certain direction. People are motivated when they expect that a course of action is likely to lead to the attainment of a goal a valued reward that satisfies their particular needs. Well-motivated people are those with clearly defined goals who take action that they expect will achieve those goals (Armstrong, 2007).

To motivate employees to act in the best interest of the organization as well as to reach organizational goals organizations develop reward management police. Reward is the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service (Zhou Jiang, Qian Xiao and others 2009). Organization provides rewards in the form of financial reward as well as non-financial reward. Financial reward is a remuneration which delivered to employees in the form of pay, bonuses, fringe benefits, transportation facility, medical facility, health and life insurance and benefits like vacation with pay meal facilities.

Non-financial reward; Rewards which do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high quality leadership (Michael Armstrong,2009).

The question which can be asked here is why organization expends scarce resource on compensation? In current environment all organizations want to be successful, every company irrespective of size and market strive to retain the best employees, acknowledging their important role and influence on organizational effectiveness. In order to overcome these challenges, companies should create a strong and positive relationship with its employees and direct them towards task fulfillment.

In every organization one of the most fundamental concerns of compensation management is how high levels of performance can be achieved by motivating people. A typical aim of reward strategy of most organization is development of a performance. It is therefore necessary to understand the factors that motivate people and how, in the light of these factors, reward processes and practices can be developed that will enhance motivation, job engagement, commitment and positive discretionary behavior.

People have many needs that are continuously competing one with another. Each person has a different mixture and strength of needs, as some people are driven by achievement while others are focusing on security. Some are motivated by intrinsic motivation; some are motivated by extrinsic motivation by considering this characteristic most organization implement both financial as well as non-financial compensation to its employees. The compensation system ensures that both intrinsic and extrinsic needs of employee at all levels are adequately provided for compensation develops organizational integrity, policy, procedures and practices capable of improving organizational productivity. Compensation is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward and compensation within an agreed framework, planned goals, and standard and competency requirements (Armstrong, 2005).

Job performance is also part of human resources management. Performance is an important for the organization succession and achieving the goals. There is so much changing occurring in the school education in the world every school has much rely on employee's good performance.

The study assesses the compensation practice on organizational employee job performance, the base of good compensation structure, employee's expectation at different levels and how the compensation structure is based on performance of individual(s) or job requirement of employees.

Ahadu Radio and Television established in 2018 under the legal registration number 110/2011, Ahadu Radio and Television aims to provide alternative news and entertainment programs for its audience. Ahadu Radio produces radio programs from its State of the art Production House located at the center of Addis Ababa. The radio and Television station is transmitting 18 hours a day with tangible information in order to fill the gap in every scenario in the country and worldwide. Ahadu Radio and Television Station is a mission-driven, multimedia news organization and radio program producer. It is a network with a strong base of supporters nationwide.

Examining how financial compensation management affect an organization's performance is the main goal of this study. The study intends to offer the station concrete insights to improve their financial compensation strategies and, as a result, overall organizational performance by identifying the critical financial compensation practices that significantly influence performance results. Therefore, the purpose of this research is to investigate how financial compensation management affect the performance in the case of Ahadu Radio and Television.

## **1.2. Statement of the Problem**

A different study suggests that employee's compensation plays a key role in any organization since it is found at the heart of the employment relationship and of critical importance to both employees and employers. Employees typically depend on wages, salaries, and so forth to provide a large share of their income and benefits

to obtain health security. Compensation is a discretionary concept and the determinants of compensation may not necessarily be the same in all organizations. There are various factors that may contribute to discrepancies in the way employee compensation is determined within an organization. Employee experience and level of education are signals to organizations that indicate employees' levels of knowledge and skills. Consequently, the labor market rewards employees for acquiring more human capital with access to better jobs, higher earnings and greater incentives to remain in their jobs (Ng & Feldman 2010).

The ongoing rate in the labor market becomes the key factor in ascertaining job value or worth.

Hence, external equity is defined as the extent to which the firm's pay rate for a given job matches the prevailing rate for that job in the external market (Fitzpatrick & McMullen 2008). The salary survey data, in general, are used for each job within a given grade level and are used to price all jobs previously classified into that grade. It is possible to use regression procedures to link market data with job evaluation scores (Rosen, 2008) to determine employee compensation.

However, there seem to be challenges in determining which labor markets are most appropriate for a comparison of pay rates among different organizations. It is challenging to drive definitive conclusions about the correlation between financial compensation practices and certain performance outcomes in the lack of a defined set of performance metrics. There is still a fundamental knowledge vacuum regarding which financial compensation strategies contribute most significantly to important performance measures, such as financial performance, consumer satisfaction, and staff productivity. Hence, the main aim of this study is to fill this existing gap by exploring the effect of financial compensation management of Ahadu Radio and Television as well as examining whether there is a positive or negative effect on the organizational performance.

Such problems with the alignment of financial compensation management with the strategic goal of the company in the long run may affect meeting the core value of the company. In addition, the competitive position of the company may be taken by competitors due to reluctant to their human capital which is a source of competitive

advantage. Taking the aforementioned problems in to consideration, this study is designed in assessing the effect of financial compensation management practices on employee performance in the case of Ahadu Radio and Television.

### **1.3. Objectives of the Study**

The objective of the study details in to general objective and specific objective.

#### **1.3.1. General Objectives**

The general objective of the study was to examine the effect of financial compensation management on performance of employee.

#### **1.3.2. Specific Objectives**

The specific objectives of the study were:

1. To assess Basic pay compensation practices effect on employee performance.
2. To identify the effect of allowances compensation to employee's performance.
3. To find effect of cash bonus compensation effect on employee performance.
4. To assess the effect of salary increment on employee performance.

### **1.4. Basic research questions**

The main targets of this study answer the following basic questions:

1. What are pay compensation practices on employee performance?
2. To what extent do allowances compensation to employee's performance?
3. How does cash bonus compensation effect on employee performance?
4. What level the effect of salary increment on employee performance?

### **1.5. Significance of the Study**

This study examines Human Resource Management practices of Ahadu Radio and Television; assess its shortcomings and solutions to mitigate the problems. In addition to fulfilling the academic requirement of the researcher, the results of the study will have the following benefits. Primarily, the research helps the management in this company in general and the financial compensation to take corrective measures to improve and revise the financial compensation system. The study also helps as a secondary source for further study on the area. In addition, it



gives the researcher an opportunity to gain knowledge in practices of financial compensation and develop research experience.

The study is significant as it provides input on human resource practices that could improve organizational performance of workers and employers. Therefore, managers will find the research's findings useful in assessing the effectiveness of financial compensation strategies currently in place at the company and determining the financial compensation consequences of such practices. Additionally, Ahadu Radio and Tv management have the ability to modify the financial compensation procedures that are already in use. Ultimately, the results of this study have the potential to improve Ahadu Radio and Televisions organizational performance.

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

The scope of this study is delimited in terms of subject (concept), area (geography) and methodology. The conceptual scope of this study was on some selected financial compensation practices. In view of that, the study comprises four major financial compensation practices: Basic pay, Allowances, Cash bonus and Salary increment. Regarding the geographical area coverage, the study was limited to employees of Ahadu Radio and Televisions at head office in Addis Ababa. Methodologically this study used cross-sectional survey. Hence, data was collected from the sample respondents selected through simple random sampling technique at the same time at one point in time.

### **1.7. Limitation of the Study**

Even though the study was design to enable the researcher collect accurate and reliable data that can be used to make some inferences, it is however not free from limitations. First, the study was only encompassed the view and opinion of employees in head office in Addis Ababa. Thus, those employees outside the head office in Addis Ababa were omitted in this study as finances and distances are the limiting factors that inhibit collecting the data from all the employees across the country. Thus, the finding of the study may not be inferred to the whole employees of the company around the country. More so, the study is also conducted based on

cross-sectional approach and thus, data was collected at single time rather than frequent observation over the same sample. Accordingly, the method cannot examine changes over time which needs more strong empirical investigation.

### **1.8. Organization of the Study**

The study was organized into five chapters. Chapter one discusses the introduction part. It contains the background to the research study, presents the statement of problem, and research objectives. Also, the chapter has the significance, scope, and limitations of the study. Chapter two contains theoretical review, empirical review of previous studies and conceptual framework of study. Chapter three outlines the research methodology adopted in this study. Chapter four discusses about the data analysis and interpretation of the outputs. Chapter five outlines the summary of the finding, conclusions, recommendations and further research suggestions.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **Introduction**

In this chapter the researcher reviews relevant literature on theoretical, empirical and conceptual framework issues which are found to be essential to the research inquiry. Thus, the first section discussed theoretical framework related to the study variables which were considered in order to lay solid foundation for the research. Then a brief summary of some of the related previous work on this study were discussed. In the final analysis, the chapter reviewed the literature related to the key study variables as presented in the conceptual framework.

### **2.1. Theoretical Review**

This chapter presents an analysis of literature related to this topic under study. It focuses on the variables discussed in the earlier chapter. The chapter therefore aims to provide the researcher with a clearer perspective of the study area, from the point of view of other researchers as well as scholars. The researcher aims to develop an understanding of the gaps that exist in the study area with the main aim of trying to cover those that fall within the scope of this study. To achieve all these, the chapter covers the following: theoretical review, critical review, and conceptual frame work.

#### **2.1.1. What is Employee Compensation?**

“Employee compensation refers to all the rewards given to workers for their services. Compensation plays a useful role in the relationship between an employer and employee. While the employees have knowledge, skills, attitude, experience and qualification at their disposal, the employers on the other hand have at their disposal pay, benefits and incentives” (Ax et al, 2006).

“Compensation includes employee wages and salaries, incentives, bonuses and commissions” (Belcourt, 1999). “The reward systems may differ from one organization to the other and may change from time to time. This arguably makes motivating employees the most complex of all management functions.” However, a basic feature of any reward system is that it must cause employees to give their best to the organization.

Compensation and performance are two key concepts for an organization, which impacts the employer's ability to retain employee as well as get optimum level of performance from them so that it helps to meet the organization's strategic objective. When the number of unmotivated employees is high, the turnover will also be high which will cost a given organization dearly because the company has incurred a lot of cost in training the employee.

Employees always seek for a job that they can work with a high motivation and can satisfy their need. Therefore, a proper system and balancing act is required for an organization to compete in this competing world.

### **2.1.2. Concept of Compensation:**

Compensation is all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship (Milkovich and Newman 1999) i.e., compensation surrounded by the employee wages and salaries, incentive-payments, bonuses, and commissions. Employee compensation contains all forms of pay and rewards received by employees for the performance of their jobs" (Snell & Bohlander, 2010, p.378). According to Dessler (2011) employee compensation means all forms of pay or rewards going to employees and arising from their employment and it may be direct financial payments (Pay in the form of wages, salaries, incentives, commissions, and bonuses) and indirect financial payments (Pay in the form of financial benefits such as insurance).

### **2.1.3 The components of a compensation system**

Literature believed that compensation will be perceived by employees as fair if based on systematic components. Compensation will be perceived as fair if it is comprised of a system of components developed to maintain internal and external equity. Various compensation systems have been developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures. The components of a compensation system as gathered from the literature (Truss 2001; Wright, Snell and Dyer 2005; Som, 2008) include:

- i. **Job Descriptions:** this a critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions,

duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.

ii. **Job Analysis:** this is the process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.

iii. **Job Evaluation:** This is a systematic way of comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method.

iv. **Pay Structures:** Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.

v. **Salary Surveys:** Collections of salary and market data: this may include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys.

## **2.2. Different Compensation System:**

Many researcher and scholars have explained about compensation and job performance from the different point of view or aspects and these are Performance-Based-Compensation, Merit-Based Compensation, Outcome-Based Compensation, Competency-Based-Compensation, Equity Based-Compensation and so on. A short brief on these mentioned compensation system is prescribed below:

### **2.2.1. Performance-Based-Compensation:**

In 1988, Baker, Jensen, & Murphy provided an explanation on performance-based compensation plans, indicates that explicit financial rewards are an important part of a worker's compensation. Delery and Doty (1996) demonstrated performance-based compensation as the single strongest predictor for job performance. Furthermore, a study conducted on compensation and performance (Coopers and Lybrand, 1992; Karr, 1999; Hamilton, 1999; Schlesinger and Heskett, 1991; Buchholz, 1996;

McClaim, 1998; Pfeffer, 1998) associated with performance-based incentive program at every level of an organization. Besides that, Banker, Lee and Potter (2000) focused on performance-based compensation which increases an organization's overall productivity by attracting and retaining more productive employees. In contrast, individual performance evaluation may involve discretion and subjectivity, as well as nonfinancial and financial performance criteria (Bushman, Indjejikian, & Smith, 1996) which also concerns with the compensation policy and strategy. „Several prominent scholars (Fein, 1976; Lawler, 1971, 1981) support on merit-based-compensation, described that merit-based compensation system for job performance lead to higher organizational performance and it is necessary for motivating employees where merit-based rewards also concerned. On the other hand, some other researchers reported that there is an effect of merit pay compensation system on managers but statistical analysis indicated that the merit pay program had no effect on organizational performance, suggesting that merit pay may be an inappropriate method of improving organizational performance (Pearce, Stevenson, & Perry, 1985). However, although merit pay and bonuses for managers are common forms of compensation, there have been no rigorous tests of their effectiveness (Dyer & Schwab, 1982) for the better job performance in an organization.

### **2.2.2. Outcome-Based Compensation**

Outcome-based compensation is increasingly being used by many organizations especially in service industries. Banker, Lee, Potter, and Srinivasan (1996) identified some major reasons for this outcome-based compensation that are for motivating employees, gaining strategic advantages, understanding and focusing customer needs and satisfaction and so on. From the another point of view, Schlesinger & Heskett, (1991); Zeithaml et al., (1993) emphasized on Outcome-based compensation in order to enhance customer satisfaction and gain a competitive advantage, getting high customer interaction, ensuring more production and

consumption by which organizations can reach its target level, also can utilize the opportunities from buyers and sellers to command price premiums through the outcome-based compensation (Forbis & Mehta, 1981).

### **2.2.3. Competency-Based-Compensation**

The word competency was brought into the public arena in the USA in the early 1980s by Boyatzis (1982). He defined competency as „an underlying characteristic of an individual which is causally-related to effective or superior performance“. According to Liebegott (2015), Competency-based compensation policy is a pay structure that rewards employees based on how well they perform in the workplace, rather than the hierarchy of their position or years of experience. With a competency-based compensation policy, the only thing standing between the employees and a greater wage is how much they contribute and how well they perform. With this method employees“ often more likely to take a greater initiative and contribute competitive advantage for the organization. For creating a culture of self-improvement and wide productivity is through a competency-based compensation policy or structure. This compensation structure offers a tangible reward for the employees who are dedicated to growing their skills and improving themselves. When the employees dedicate their time- even outside of the 40-hours per week to growing organization’s products and services, they will not only contribute to the success of the company, but also be motivated by the compensation structure they receive for their dedication from the organization .On the other hand, Competency or skill-based pay is a compensation system that rewards employees with additional pay in exchange for formal certification of the employee’s mastery of skills, knowledge, and/or competencies (Gerald et al., 2011). Besides, Armstrong and Brown (1998), investigated that competency frameworks have a role in main HR functions in as many as 70 percent of organizations and competencies are used mainly in performance management, recruitment and selection, and training and development

(Competency and Emotional Intelligence Benchmarking Survey, 2002). However, this distinction is not always clear in the subsequent literature, or certainly in practice. Armstrong (1999), for example talks about hard or work-based competences which are expectations of job performance and the standards of outputs (Neathey & Reilly, 2003).

#### **2.2.4. Equity Based-Compensation**

The general idea of equity based compensation is to offer employees a share of the company's future profits in exchange for lower (or sometimes zero) salaries up front. For maintaining equity –based compensation policy a consulting lawyer is needed before making any formal offers (Bhashyam, 2014). Equity based compensation not only lessens the up-front financial burden of paying out sky-high salaries, but it also attracts employees who are committed to working harder in order to ensure their financial wellbeing and the success of the company. Equity compensation, no matter the form, is typically subject to restrictions. Most importantly, equity compensation is usually subject to vesting, which means that an employee must hit certain performance or time-based (more common) milestones in order for all of the stock. How much of one's compensation is in salary and how much is in equity depends less on the role (e.g., business development, engineer) and more on company maturity. Equity based pay spread at explosive rates in the United States during the 1990s. Morgenson, (1998) reports that in 1997, the 200 largest U.S. companies had reserved more than 13 percent of their common shares for compensation awards to managers, up from less than seven percent eight years earlier ( Ofek & Yermack, 2000). A study (Mehran 1995) showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) demonstrated a link/relationship between the job performance, job satisfaction and individual personality differences on which there is a effect of equity based pay among people which are also related with compensation policy. Finally, from the above composition of compensation, it is lucidly stated that compensation



contains a comprehensive pay structure for the employees in an organization and it may be based on performances, merits, outcomes, competences, equity and so on.

### **2.3.1 Factors Affecting Employee Compensation**

Compensation is also one of the biggest reasons of dispute between employers and employees. Employees provide their services to the business; they devote their time, energy, skills, knowledge to the organization. In consideration of this devotion, employer gives compensation to employees.

The compensation awarded to the employee is dependent on the volume of effort exerted, the nature of job and his skill. Besides, there are several other internal and external factors affecting the compensation.

The compensation awarded to the employee is dependent on the volume of effort exerted, the nature of job and his skill. Besides, there are several factors affecting the compensation.

#### **Labour Market Conditions**

The forces of demand and supply of human resources, no doubt, play a role in compensation decision. Employees with rare skill sets and expertise gained through experience command higher wage and salary than the ones with ordinary skills abundantly available in the job market. But the higher supply of human resources for certain jobs may not lead to reduction of wages beyond a floor level due to Government's prescription of minimum wage levels and employee union's bargaining strength.

Similarly, this factor by itself does not result in lower pay if the vast majority of available resources are unemployable due to poor skill and low talent. Thus, it is clear that law of demand and supply applies to labor market only to a limited extent (Smith, 1996).

#### **Company's ability to pay**

Most of the organizations fix their pay in keeping with the level for similar jobs in the industry. They frequently conduct wage survey and accordingly

seek to keep their wage level for different jobs. If a particular firm keeps its pay level higher than those of others in the industry, its employee cost becomes heavier which may escalate the end cost of the products. This will affect the competitiveness of the firm. On the other hand, if a firm keeps its pay level lower than the prevailing rates, it may not recruit the skilled and competent manpower (Ronald & Cary,2005).

**Union's Influence:**

The collective bargaining strength of the trade unions also influences the wage levels. Trade unions enjoy an upper hand in certain industries like banking, insurance, transport and other public utilities. Therefore, wage structure in such industries and in such Union-active regions, salary and wage need to be fixed and revised in consultation with the unions for ensuring smooth industrial relation.

They try to regulate the supply side of the labor. From time to time labor unions put pressure over the management for providing better work facilities, better wages, or service conditions for workers. At times they do resort to strike or lockout affecting the supply of labor to the industry.

So it becomes important for the employers to keep their labor happy and satisfied by compensating them well so that their union should not pose any problems to them (Stup ,2003).

**Cost of Living:**

The consumer price index is widely accepted and followed by many employers and labor organizations for fixing the basic level of employee's salary. Cost of living adjustment of compensation does not provide any fundamental solution to the principle of equitable compensation to employees. It is useful as a stopgap device in times of inflation when labor is pressed to keep up with the rise in prices.

Increase in the cost of living; raise the cost of goods and services. It varies from area to area within a country and from country to country. The changes in compensation are based on consumer price index which

measures the average change in the price of basic necessities like food, clothing, fuel, medical service, etc., over a period of time. Allowances like Dearness Allowance. City compensatory allowances are paid to meet the increasing cost of living and parity among employees posted at different geographies (Danish & Usman, 2010).

**Government Regulation:**

Government plays a very important role in fixing the basic level of salary for employees. From time to time government has made various laws to protect the interest of employees at various levels. It is expected of every organization to keep the various laws into account while fixing the compensation for employees so that they should not finally land into any legal trouble.

Government through various legislative enactments such as Minimum Wages Act, 1948, Payment of Wage Act, 1936, Equal Remuneration Act, 1976, Payment of Bonus Act, 1965, dealing with Provident Funds, Gratuity, Companies Act, etc., have a bearing on compensation decisions. Therefore, firms have to decide on salaries and wages in the light of the relevant Acts (Tausif ,2012).

**2.4. Theoretical relationship between compensation and Job performance**

The aforementioned propositions provided by the various researchers and authors in the literature part severally showed an indirect dissertation about the relationship between compensation and job performance. But some prominent scholars measured and showed the direct dissertation about the relationship of compensation and job performance. For instance, Bajor and Baltes (2003) measured though selection-optimization-compensation and investigated that there is an effective and strategic relationship between compensation and job performance. Moreover, many firms link with compensation to job performance by implementing performance – based incentive programs at every level of the organization (Schlesinger and Heskett, 1991; Coopers and Lybrand, 1992; Buchholz, 1996; McClaim, 1998; Pfeffer, 1998; Karr, 1999; Hamilton, 1999). While several research

studies again showed a relationship between compensation and job performance and documented that performance - based incentive plans result in performance improvements (Wagner et. al., 1998; Banker et al., 1996; Lazear, 1999), in the organizations. The another study (Mehran 1995) identified a positive relationship between job performance and equity-based compensation policy which showed that equity-based compensation is used more extensively in firms for ensuring maximum performance. Arnolds and Boshoff (2002) shown a link/relationship between the job performance, job satisfaction and individual personality differences among people which are also related with compensation policy. This section of present study explores the relationship or linkages among job performance, job standard, job strategy and the type of compensation policy. Chow (1983) showed in a study that the type of compensation scheme not only affect the workers' effort but also job performance of the employees in an organization. There is another study supports that a firm's compensation strategies make a greater contribution to firm performance (Gomez-Mejia, 1992). In addition, a study conducts to find the impact of compensation on job performance in the middle-east country and subsequently present a model illustrating a relationship between them (Qureshi & Sajjad, 2015). The above mentioned literature evidenced that there is a significant relationship between compensation and job performance. Though the organization may follow performance-based compensation policy (PBCNP), merit- based compensation policy (MBCNP), outcome- based compensation policy (OBCNP), competence-based compensation policy (CBCNP) or equity based compensation policy (EBCNP) individually or combining two- three policy or any other technique but these all are included as implicit compensation policy under the comprehensive structure of compensation scheme of an organization which are significantly linked with job performance.

### **2.2.5 Financial Compensation**

As indicated by the above authors financial compensation comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits. Some of financial rewards are pay bonuses, fringe benefits, transportation facility, medical facility, health and life insurance and benefits like vacation with pay meal facilities (Saira Yousaf et.al.2014). Mahaney & Lederer, (2006), indicates that unlike intrinsic reward extrinsic rewards are external to the job and include elements like fringe benefits, pay, promotions, private office space, the social climate, job security, competitive salaries, merit bonuses, pay raises and indirect payment forms as compensatory time off. Appelbaum Hare, (1961.) maintains that, extrinsic rewards drive workers' morale and the distribution of these rewards always has loomed large in companies, especially in accordance with performance evaluations in present globalization eras.

#### **2.2.5.1 Cash Bonus**

As cited by Noraani Mustapha (2013), Cash bonus is another form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible (Finkle, 2011). The author indicate that cash bones is one way of financial reward and it used for rewarding accomplishment above set goal and target. Moreover, the amount of cash is determined by how high the employee has over exceeded the set targets or they can also be based on ranks or job groups. Nowadays, companies are rewarding performance bonuses to junior employees to increase output, unlike the past where they used to be a privilege of top executives. Performance bonuses are now on the rise in many organizations because managers want to link performance to reward (Block & Lagasse, 1997).

Finkle (2011) further maintains that, when employees reach certain standards and quotas to complete a certain project they are given bonuses. Companies use cash bonuses to reward their employees' performance during the year under appraisal. But there is also the unspoken expectation that these bonuses will be a factor in motivating employees' performance next year as well. Employees who receive a large bonus will

likely want to get it next year too. On the other hand, employees who receive a miserly bonus and it reflects how the company assessed their performance, might consider improving next year. However, Pouliakas (2010) found that there is a significant negative relationship between small bonus payments and the satisfaction of workers with the actual job itself. This implies that the amount of bones payment has both positive and negative effect to employees' performance.

#### **2.2.5.2 Salary (Pay)**

According to Heath field, S.M. (2012), salary is a fixed amount of money or compensation paid to an employee by an employer in exchange for a productive work performed. Furthermore, remuneration system plays an important role in determining an employee's level of job satisfaction. The core reason behind this is the growing needs of families with higher living costs. Such things force workers seeking higher income that can guarantee their future and life satisfaction. Because of this, if individuals believe they are not compensated well, a state of emotional dissatisfaction will develop. This emotional discrepancy will grow and accumulate over times thus make employees unhappy and unsatisfied working for the organization. Monetary incentives have a positive effect on worker's utility and performance as long as they are large enough. As Millán, J. M. et al. (2011) reported that for both employees and the self-employed, having higher work incomes increase the likelihood of being satisfied with the type of work. The pay or salary structure should be appropriate and reasonable. It must be equal and competitive to those in the same industry in the same domain.

To determine the pay or salary structure the rate for the job which is base rate is required. Base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required (Armstrong, 2006). According to the author, base pay influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. However external relativities are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

The author further indicates that, employees are offered a financial reward for their services in the form of pay which is a foremost stipulation in human resource management. However, pay must be closely linked to the performance according to high achievers because employees who do their best want reasonable pay that satisfies their needs. An equitable pay makes them feel appreciated so they expect to pay according to their efforts because they don't want to be unacknowledged for their services. Organization uses money as a tool of payment for compensates employees. Because money is ranked at the top for creating motivation since people require money to fulfill the basic necessities of life so it motivates the employees more than any other incentive.

#### **4.2.5.3 Allowances**

Allowances is a benefit which employees get from the organization in the form of indirect cash payment. According to Armstrong (2006), employee benefits include pensions, sick pay, insurance cover, company cars and a number of other perks. They comprise elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration, such as annual holidays

#### **Transportation**

Transportation is a mode in which things, people and other used to move from one place to other. Employees need transportation to come at work at appropriate time. In most organization the problems of the working force and their mental stress is increasing due to the inefficient transport system. Public transport is costly, scarcely available and unpleasant. Government is still unable to provide adequate transport facilities to the commuters, even in the major cities of the country. Hostile environment and lack of infrastructure provision decreases labor force participation. So, there is a greater need to provide employees with more suitable transportation options. The availability of official transport facility for employees who were living far from their workplace and were making their own transport arrangements would reduce their financial burden and mental stress. Organizations should provide convenience to their staff because it will be very helpful in motivating the employees.

### **Life Insurance**

It is insurance on the life of the insured for a fixed amount at a definite premium that is paid each year in the same amount during the entire lifetime of the insured. Most organization has its own policy to provide life insurance coverage to their employees. Some of the organizations insured their employees twenty-four hours other insured working hours and hours and places related to work.

### **Health Insurance**

When medical and surgical expenses of the employee are paid by the insurer, it is said to be health insurance. It is a source of motivation and attracting the competent employees because health cost has increased over the time and health insurance increases its motivation and commitment. The insured is either remunerated for the expenses of the illness or injury or the health care provider is given the money by the health insurance. It provides coverage for the stays in hospitals, visits and medical expense.

Most organization has its own policy to provide health insurance coverage to their employees. Some of the organizations pay for the medical expense of the sickness or injury in case of the employee hospital stays, others provide coverage for all of the expenses like medicine expense, hospital stay.

## **2.2 Empirical Literature Review**

There were a number of scholars who conducted research studies on an employee performance in the workplace. According to most of these theorists, such performance can actually be predicted, explained and influenced. One of these scholars is Nelson (1997) who established different reward way and relates with employee satisfaction and employee performance. The better satisfied employee expected to perform well.

Danish & Usman (2010) suggested that a firm that fulfills both financial and non-financial rewards could be the best one. Moreover, they investigated the influence of financial motivators on the performance of employee. And the study results showed that better performance was best



foreseen by the job reward; and job commitment was best forecasted by a combination of cost values, rewards, and the amount of investment.

Indeed, the financial and non-financial rewards motivate the employees; and this motivation leads to realize a higher performance level.

According to Gerhart & Milkovich (1990) claims that reward system should be carried out by the simplification of the connection between the given reward and the additional performance. Moreover, they suggested that to achieve positive effect, reward practices have to be performance-dependent. Indeed, managers who attempt to run a fair rewarding system seem to be more prosperous in performance rather than those who reward in an unfair manner.

The important relationships between employee performance and pay satisfaction have been well established in studies by Heneman, Kochan & Locke (1995). They showed that monetary compensation is one of the most significant variables in explaining better employee performance and job satisfaction. In addition, Hofrichter & Platten (1996) found financial rewards to have a significant impact on employee performance. According to Artz (2008) suggests overall, fringe benefits play a significant role in determining employee performance.

A research by (Pinar Güngör, 2011) focuses on the relationship between the reward management system applications and employee performance of bank employees on global banks in Istanbul. He concludes that employee performance effectiveness is determined on reward systems. In addition, (Madhuri K., 2014) remark that perceived level of rewards and motivation has significant relationship among the private sector employees and the monetary rewards had a significant effect on employee motivation than the non-monetary rewards.

Puwanenthiren P. (2011) assert that there is positive relationship between the rewards and employee motivation that is (+0.7550). Moreover, he splits the result between the intrinsic reward system that is (and0.5831) and extrinsic reward system (0.7280). Lastly he concludes that there is a considerable positive relationship between the total reward system and the employee motivation .

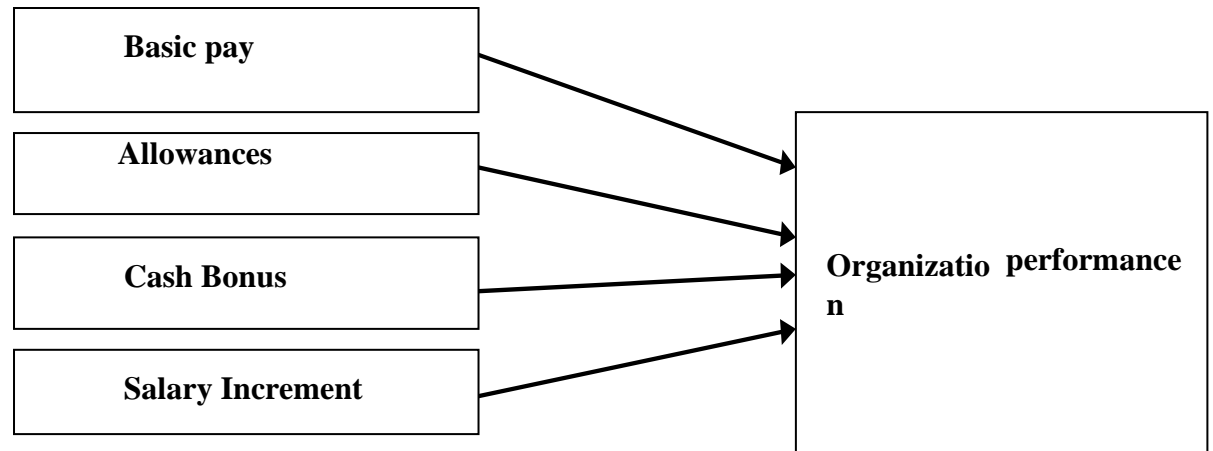
Tausif (2012) conducted a study on the influence of compensation on employee job performance and developed two competing hypothesis on the relationship between compensation and employee performance. In the study t- test, regression and correlation to test hypothesis, whether compensation have positive relationship with employee job performance or negative relationship with job performance. The independent variable promotion, job enrichment and autonomy and its influence on dependent variable employee performance were his areas of study.

The findings of the study reveals that employee performance is positively and considerably associated with compensation and benefits such as promotion, job enrichment and task autonomy.

### **2.3 Conceptual Framework**

This study is conducted to assess the compensation practice on employee job performance.

The following figure shows the relationship between dependent and independent variables.



**Independent variable**

**Dependent Variable**

*Source: developed by the researcher by adopted Michael Armstrong's (2009) financial reward frame work and Lominger's ten Performance Dimensions*

**Fig1. Conceptual framework**

## **2.4 Research Hypothesis**

The main objectives of this study are to determine the effect of financial compensation management practices on organizational performance. In line with the theoretical and empirical literature, the following research hypotheses are suggested.

H1: Basic pay positively and significantly affect organizational performance

H2: Allowances positively and significantly affect organizational performance.

H3: Cash Bonus positively and significantly affect organizational performance

H4: Salary Increment positively and significantly affects organizational performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **Introduction**

In this chapter, the researcher describes the procedures to ensure a methodical and well-informed investigation, focusing on sampling procedure, data collection and analysis methods. Data collection instruments and procedures will be discussed as well as the target population and sampling procedures. Research methodology is described as method of illuminating scientific procedures in a way suitable for the purpose. It is the general standard which direct the description of the methods applied in conducting the research study, how to and what analysis to be done to the data so collected (Akinyele, 2016). These are realized in address research methods that will be used for the study, the data collection and how the field work for the study is conducted.

#### **3.1 Research Approach**

Generally, literatures have identified three types of research approach which include: qualitative, quantitative and mixed research approach. For the purpose of this study quantitative approach was used because the study requires an analysis of the human resource management practices which impact on organizational performance in Ahadu Radio and Television.

#### **3.2 Research Design**

Newing (2011) defined research design as the arrangement of conditions for collection and analysis of data in a way that intend to combine importance to the research purpose with economy in procedure. The choice of research design depends on objectives that the researchers want to achieve (Newing, 2011). The primary aim of this study was to examine the effect of human resource management practice on organizational performance of Ahadu Radio and Television. To achieve this objective, both descriptive and explanatory research design was used.

Explanatory research design is focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables (Akinyele, 2016). It helps to understand the nature of the relationship between the independent and dependent variables. The purpose of using explanatory research was to know the cause and effect of human resource management practices on organizational performance. It was therefore justified in view of the above definitions, descriptions and strengths that explanatory survey is the most suited and appropriate design for this study.

### **3.3. Sampling Design**

#### **3.3.1. Target Population**

Target population of survey is the entire set of units for which the survey data are used to make inferences (Smyth, 2004). It is the population that a researcher wants to generalize the results of the study. The target population of the study consisted of all employees of Ahadu Radio and Television who are working at Addis Ababa City at both branches found at kazanchis and CMC. According to the annual report for the Fiscal Year 2022/23, the total number of employees of the station reached around 256 at the end of July 30, 2023, which constitutes the target population of the study.

#### **3.3.2. Sample Size**

Lavrakas (2008) explains a sample in survey research as a subset of elements drawn from a larger population. Obviously, such a sample should be typically identical with the population thus provide adequate representation. If a sample is not precise and inadequate both in characteristic and size, it may lead to rejection of false null hypothesis, wrong result and therefore a waste of resources (Gerstman, 2003). Likewise, a study that collects too much data is wasteful. Therefore, it is essential to establish adequate sample size before going on data collection for a study. In recognition of this fact, to determine sample size of the study, the researcher uses a method developed by Taro Yamane's formula. Therefore, the following formula is used to determine the sample size.

That is  $n = N/1 + N(e)^2$  Where:  $n$  is the sample size,  $N$  is the population size and  $e$  is the error of sampling. For this study the error of sampling is set at 0.05.

$$\begin{aligned} N &= 256/1 + 256(0.05)^2 \\ &= 256/1.64 = 156 \text{ respondents} \end{aligned}$$

We can see from the result above that the sample size was 156 from the total study population of 256 to maintain a 95% confident interval.

### **3.3.3. Sampling Technique**

For the purpose of this study, the researcher was used probability sampling technique to select sample participants. Specifically, the selection and distribution of questionnaires among employees were made based on simple random sampling. Simple random sampling will be used because of the fact that it allowed researched to make statistical inference.

According to Kothari (2004), if a population, from which a sample is to be drawn, does not constitute a homogeneous group, stratified random sampling technique is generally applied in order to obtain a representative sample. Under stratified random sampling the population is first divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called 'strata') and then we select items randomly from each stratum to constitute a sample. Since each stratum is more homogeneous than the total population, we are able to get more precise estimates for each stratum and by estimating more accurately each of the component parts; we get a better estimate of the whole.

### **3.4. Data Collection Instrument**

For this study both primary and secondary sources of data was used. Kothari (2004) describes primary data as those which are collected a fresh and for the first time and thus happen to be original in character. Dawson (2009) states that secondary research data involves the data collected using information from studies that other researchers have made of a subject. Both sets of data are used in this study.

The study utilized questionnaire as major instrument for collecting primary data. Schwab (2005) defined questionnaire as measuring instruments that ask individuals to answer a set of questions or respond to a set of statement. A questionnaire is research instrument that is used in data collection when dealing with a large sample (Kombo, et al.2002). A questionnaire is preferred because of its convenience and ease of administration. Kothari (2004) stated that questionnaires have various advantages, like; it is free from the bias of the interviewer; it is low cost even when the universe is large and is widely spread geographically; respondents have adequate time to give well thought out answers; respondents who are not easily approachable can also be reached conveniently; large samples can be made use of and thus the results can be made more dependable and reliable. In view of the advantages and the need to gather more information, questionnaires were administered to employees and to solicit their views concerning the effect of selected human resource management practices on performance of Lion Insurance.

The study was used closed-ended questions. This was due to the fact that closed-ended questions are often good for surveys, because one can get higher response rates. Besides, answers to closed-ended questions can easily be coded and analyzed makes them particularly useful when trying to prove the statistical significance of a survey's results.

The classification of the questionnaire was divided into five sections. The first section is about demographic data of the respondent employees. The second section is contained questions about performance appraisal, that contains 17 items survey questionnaires is developed based on Caruth & Humphreys, (2008); which include performance appraisal standards (6 items), performance appraisal techniques (7 items), and performance appraisal objectives (4 items). The third section contain questions on training and development program that contains 20 items which is developed based on Hennenman, et al (1989). The fourth section contain questions about compensation management that contain 12 items which contain 4 items on pay, 4 items on benefit and 4 items on rewards which are adopted from Hansen, et

al (2004). The fifth section contains questions on organizational performance which contain 8 items that are adopted from Onyango, (2014).

In addition, the study was used secondary data. Dawson (2009) states that secondary research data involves the data collected using information from studies that other researchers have made of a subject. The secondary data has collected from different published material like report, manual, books, magazines, journal articles, websites, research findings and any other concerned bodies will be used to extract any sort of essential information to strengthen the study findings.

### **3.5. Data Collection Procedure**

Primary data was collected through the administration of questionnaires to employees Ahadu Radio and Television. Before the full-scale survey, pilot survey will be undertaken for a sample of respondents. The objective of the pilot survey is to check whether the desired result using the questionnaire is obtained or not and to identify and exclude potential problems associated with content in the questions and wordings. During the full-scale survey, the questionnaire was administered to the target population through personal contact by the researcher. Respondents were kindly requested to fill the questionnaire. Organizations and staffs' permissions to do this will be sought and approval was received.

### **3.6. Instrument Validity and Reliability**

There is always more than one way to measure any variable, a researcher has to attempt to construct the best measure or measures for each variable. Considering this, data should first analyze to ensure instrument quality. Reliability and validity were used as the major criteria used to evaluate measurement. Reliability will be used to ensure consistence of data whereas validity will be used to test the accuracy of the measurement process.

#### **3.6.1 Instrument Validity**

Validity refers to the extent to which the scores from a measure represent the variable they are intended (Gakure, 2010). It is the extent to which the scores from a measure signify the variable they are intended to. Weber (1990) indicated that in order to draw valid inference from a test, it is important that the classification



procedure be reliable and consistent. As errors are likely to occur, whether intentionally or not, therefore every measurement result should include measurement error to ensure the validity of such measurement.

In recognition of this fact, therefore, a validity test of the questionnaires was done on its content. Content validity measures the extent to which a test acts to measure a concept analysis of the items so as to confirm adequate coverage of the scope of the study by the measuring instrument (Oyerinde, 2011). In order to ascertain the relevance of each question to variables being measured and to ensure that the content of the instrument provide answers to the objectives of the study and the formulated hypotheses, content validity of the pilot questionnaire was tested.

The response of the pilot administration of the questionnaire was used to improve the content values of the questions used in the main administration.

### **3.6.2 Instrument Reliability**

In addition, reliability test will be carried out in order to ensure the consistency of the instruments used in main administration. The reliability is consistency of the measurement; that is, to what extent a measuring device will produce the same results when applied multiple times to the same person under similar conditions (Gakure & Ngumi, 2010). The most straightforward method of testing reliability is to replicate; either by asking the same questions to the same respondents at different times and evaluating the degree of correlation, or by asking the same question in different ways at different points in the questionnaire (Johnson & Turner, 2003).

The study was employed Cronbach's alpha to assess reliability of the questionnaire. Cronbach's co-efficient alpha is the most common way of measuring internal consistency. Cronbach's coefficient (alpha) may range between 0 to 1, with 0 indicating an instrument full of errors and 1 indicating total absence of error. The closer Cronbach's alpha coefficient is to 1, the higher the internal consistency reliability (Oyerinde, 2011). A reliability coefficient (alpha) of 0.70 is considered acceptable, reliable and recommended for new questionnaire. The reliability of the questionnaire was tested using the Cronbach's alpha correlation coefficient with the

aid of Statistical Package for Social Sciences (SPSS) software. The descriptive analysis of primary data showed that a high reliability was attained by questionnaire instrument with acceptable range of reliability coefficients.

*Table 3.1: Reliability Test Result*

<b>Variables</b>	<b>Cronbach Alpha</b>
Basic pay	.826
Allowances	.796
Cash bonus	.871
Salary increment	.867
Organizational performance	.786

*Source: SPSS Output*

As Tavakol (2001) stated that, there are different reports about the acceptable values of alpha, ranging from 0.70 to 0.95. Hence, the Cronbach's alpha coefficient of all the above variables was fall within the stated range and concluded that there is consistency among each question in the questionnaire

### **3.7. Data Analysis**

In this study, the primary data was collected from sample respondents via questionnaire. Once the questionnaires are gathered, the next step was to edit, clean, encode and look for errors in the data. This was the question of data processing. Data processing is a series of actions or steps performed on data to verify, organize, transform, integrate, and extract data in an appropriate output form for subsequent use. In recognition of this fact, therefore, the data processing of collected questionnaires was rigorously done. This helped in compressing and arranging the data into small sets for easy examination and analysis.

Next, the collected and processed primary data from the questionnaire was analyzed by descriptive statistics, and multiple linear regression analysis. Descriptive statistics such as mean scores, percentages, frequency distribution and standard deviations were computed to describe the characteristics of the variables of interest in the study. Besides, inferential statistics such as multiple linear regression analysis was used to test the hypothesized relationships and to determine the relative

importance of each independent variable in explaining the variation organizational performance of the case company.

### **3.8. Ethical Consideration**

The researcher was made his best to address ethical consideration of confidentiality, privacy, and informed consent. Consent was obtained from the administrative of the enterprise after explaining the relevance of the study. All the study participants were informed about the purpose of the study and verbal consent of all study subjects was obtained before data collection. Participants were also being informed that they had full right to discontinue or refuse to participate in the study. To ensure confidentiality, the name of interviewee was not written on the questionnaire.

# CHAPTER FOUR

## DATA ANALYSIS AND INTERPRETATION

This chapter deals with organization, analysis and presentation of data collected from respondents using questionnaires. The data collected was analyzed and interpreted in line with the objective of the study which was to assess the effect financial compensation on organizational performance of Ahadu Radio and Television. It gives the empirical findings and results following the application of these variables using the techniques indicated in the third chapter.

### 4.1 Response Rate

The researcher distributed one hundred fifty-six questionnaires (156). Out of these one hundred and thirty-three questionnaires (133) were completed and returned. This represents a response rate of 85.3%. According to Mugenda (2003), a response rate of 50% is considered good and response rate greater than 70% is considered to be very good. The 85.3% response rate is thus considered a very good representative of respondents to provide enough information for analysis and to derive conclusions.

*Table 4.1: Response Rate*

<b>Response rate</b>	<b>Sample size</b>	<b>Percentage (%)</b>
Returned questionnaires	133	85.3
Un-returned questionnaires	23	14.7
<b>Total</b>	<b>156</b>	<b>100</b>

*Source: (Survey Data, 2024)*

### 4.2 General information of respondents

This section analyzes respondents' general information. Gender, age, degree of education, position and tenure in current organization were all questions asked of respondents. This information isn't essential to meet research objectives, but they provided important information that helps the researcher to determine the ability of

the respondent to contribute meaningfully to the investigation. The result is presented in Table 4.2.

*Table 4.2: General Information of the Respondent*

Main factor	Factor level	Frequency	Percentage
<b>Gender</b>	Male	96	72.2
	Female	37	27.8
	Total	133	100
<b>Age</b>	15 – 25 years	5	3.8
	26 - 40 years	59	44.4
	41-55 years	58	43.6
	Over 50 years	11	8.3
	Total	133	100
<b>Educational qualification</b>	Secondary	2	1.5
	Diploma	3	2.3
	Degree	68	51.1
	Master and above	60	45.2
	Total	133	100.0
<b>For how long have you been employed in this company?</b>	Under 2 years	20	15.0
	2 – 5 years	66	49.7
	6 - 10 years	29	21.8
	above 10 years	18	13.5
	Total	133	100.0
<b>Position in the Organization?</b>	Clerical	14	10.5
	Professional	107	80.5
	Managerial	12	9.0
	Total	133	100.0

*Source, survey data, 2024*

Table 4.2 above shows the gender distribution of the respondents who participated in the study. From table 4.2 show that 72.2% were males while 27.8% were females. The findings showed that male respondents were more than with female a representation and this finding indicate that males were dominated in the company.

Respondents represented customers from a range of ages. The age distribution was 59 respondents (44.4%) age between 26 - 40 years, 58 respondents (43.6%) were age between 41 - 55 years, 11 respondents (8.3%) were above 55 years and the remaining 5 respondents (3.8%) were age between 15-25 years and. The different age groups were therefore well represented in the study.

Regarding the educational qualification, 51.1% respondents were having first Degree, 45.2% respondents were Second Degree and above, 2.3% of the respondents were having Diploma while the remaining 1.5% of the respondents were having secondary education. This therefore means that the respondents who participated in this study are well informed about the human resource management practices. These respondents were therefore able to give their perceptions of the human resource management practices by answering the questionnaire.

Concerning the position in current organization, 80.5% were professional workers, 10.5% were worked in clerical position, while the remaining 9% were working in managerial positions. Regarding the length of tenure in current organization, 49.7% were stayed for 2 – 5 years, 21.8% were stayed for 6 – 10 years, 15% were stayed for less than two years and the remaining 13.5% were stayed for more than ten years in their current organization. This indicates that participants have been with the current company for a longer period of time and so have a good understanding of the company's human resource management practices.

### **4.3 Descriptive analysis of study variables**

Descriptive statistics were used to explain the basic features of the data that was collected from the field. They present simple summaries about the sample and the measures together with simple graphic illustrations. This section discusses the descriptive statistics of measures of the three major financial compensation management (Basic pay, Allowances, Cash bonus and Salary increment) and organizational performance that were collected by the questionnaire.

The analysis of this study was done using descriptive statistics or through using central tendency, from these the researcher used the mean scores of each variable.

The main reason for using this measurement was to demonstrate the average responses of respondents for each question that was included under each dimension of the predictor variable and to reach the grand mean of each dimension. Finally, the interpretation is made by using the grand mean of each independent dimension for the aim of achieving partial research objectives of the study. A range of mean was constructed by using itemized Likert rating scale. The researcher was used (Shrestha, 2015) guide to interpret the result which is presented in the Table 4.3. The mean of each individual item ranging from 1- 5 falls within the following interval:

*Table 4.3: Descriptive statistics result interpretation guide*

<b>Interval of Means</b>	<b>Interpretation</b>
1.00 – 1.80	Very Low
1.81 – 2.60	Low
2.61 – 3.40	Medium
3.41 – 4.20	High
4.21 – 5.00	Very High

**Source:** (Shrestha, 2015)

### **4.3.1. Basic Pay, Salary Increment, Allowances Bonus**

*Table 4.4 Descriptive Statistics Result of Basic Pay, Salary Increment, Allowances Bonus*

	Mean	Std. Deviation
Basic pay	1.7146	.70105
Salary Increment	1.6652	.74680
Allowances	2.2904	.58564
Bonus	3.1631	.81156

*Source: own survey, 2024*

The means and standard deviations of the variables of the study are shown in Table 4.4 describe the mean or the average response of the respondents. One variable of

financial compensation which is it has four dimensions; basic pay, Salary Increment, Allowances and Bonus.

Concerning to basic pay, the response on the survey statements of “My salary is satisfactory in relation to what I do”; “My salary is fair when compared with that of similar jobs in other broad cast”; “My salary is enough to satisfy my needs and The salary scale (grade) and pay structure implemented by Ahadu television and radio satisfy and motivate employees for better performance”. The mean response of their degree of agreement with the basic pay was 1.71 (SD=0.70) on a 5-point scale. This shows majority of the respondents are not motivated by the basic pay/ salary of Ahadu television and radio. This implies that there is not distributive and procedural justice. This by itself lead employees to be de-motivated to enhance their performance. because a fair compensation system is one that operates in accordance with the principles of distributive and procedural justice. It also conforms to the ‘felt-fair’ principle formulated by Eliot, J. (1998).

Relating to Salary Increment, the response on the survey statements of “Salary increment at Ahadu television and radio is managed fairly” and “Salary adjustment made frequently according to the current market”; the mean response of their degree of agreement was 2.29 (SD=0 .74) at a 5-point scale. This shows all in all the respondents nearly (though not fully) disagreed about the fairness and frequent adjustment of Ahadu television and radio salary increment. This implies that employees of Ahadu television and radio are less motivated to salary increment followed by weak performance level. According to Michael Armstrong (2006), the aims of financial compensation management are to motivate people and obtain their commitment and engagement. According to the author if employees are not motivated they are less likely to perform better.

Relating to Allowances, the response on the survey statements of “House allowance provide by Ahadu television and radio are fair and it is matches with the current market price”; “Transportation allowance is fair with the current cost of



transportation service” and “Hard ship allowance is satisfactory and made adjustment according to the current market”; the mean response of their degree of agreement was 2.29 (SD=0 .58) on a 5-point scale. This shows that on average the respondents point fall nearly on disagreement about the level of allowances. This implies that different types of allowances provided by Ahadu television and radio are not motivating employees for better performance.

Finally relating bonus, the response on the survey statements of “The organization’s bonus practices strongly consider the level of my performance” and “Ahadu television and radio bonus scheme is satisfactory and attractive when compared with that of similar jobs in other broad cast company”; the mean response of their degree of agreement was 3.16 (SD=0. 81) on a 5-point scale. This shows majority of the respondents “neither agree nor disagree” about the attractiveness and fairness of Ahadu television and radio bonus schema. This implies that Ahadu television and radio bones scheme has neither positive nor negative effect on performance of its company.

#### **4.4. Inferential Statistical Analysis**

This section describes the inferential statistical analysis that was derived from the collected data and models. The study sought to test the relationship between human resource management practices and organizational performance. This was done through correlation and regression analysis. It starts with results of the correlation and then precedes to results of the multiple linear regression models.

##### **4.4.1 Correlation Results**

Correlation analysis was used in the study to determine the strength of the relationship or association between the research variables from the primary data. Correlation refers to the degree and direction with which research variables change

from instance to case, without implying that one causes the other. The correlation coefficient, which measures the linear relationship or association between two variables, is presented as a result of correlation analysis (Crossman et al., 2013). To determine how the variables were related to one another, a Pearson correlation was used. The correlation coefficient has a value between -1 and +1. A positive linear correlation coefficient of +1 shows that two variables are perfectly correlated. A correlation of -1 indicates that two variables are negatively linearly related and a correlation coefficient of 0 indicates that there is no linear relationship between two variables.

The findings of the study are presented in Table 4.8. The result shows that there are positive but relatively strong relationship between the four financial compensation practices (Basic pay, Allowances, Cash bonus, and Salary increment) and organizational performance. The results show that compensation management as practices was positively correlated to organizational performance with a Pearson's Correlation Coefficient of  $r = 0.597$  and at level of significance of 0.000, was statistically significant as the p-value is less than 0.01. This relationship was moderately strong. The results also revealed that there is a moderately strong and positive relationship between the remaining two financial compensations, performance appraisal, and training & development and organizational performance with a Pearson's Correlation Coefficient of  $r = 0.593$  and  $0.526$  respectively.

*Table 4.6: Pearson correlation financial compensation and organizational performance*

		Basic pay	Allowances	Cash bonus	Salary increment	Organizational Performance
Basic pay	Pearson Correlation	1	.457**	.430**	.430**	.593**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	133	133	133	133	133
		.457**	1	.425**	.425**	.526**

Allowances	Pearson Correlation	.000 133	133	.000 133	.000 133	.000 133
	Sig. (2-tailed) N					
Cash bonus	Pearson Correlation	.430** .000 133	.425** .000 133	1 133	1 133	.597** .000 133
	Sig. (2-tailed) N					
Salary increment	Pearson Correlation	1	.457**	.430**	.430**	.593**
	Sig. (2-tailed) N					
Organizational Performance		.000 133	.000 133	.000 133	.000 133	.000 133

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

Source: (Survey data, 2024)

Over all, all the four financial compensation practices (Basic pay, Allowances, Cash bonus, and Salary increment) are moderately strong positive relation with organizational performance with a Pearson's Correlation Coefficient of  $r > 0.5$  in all case. This indicates that financial compensation had a positive correlation with the organizational performance and the relationship is moderately strong.

#### 4.5. Assumptions for linear regressions

Multiple linear regressions are based on the assumptions of Ordinary Least Square (OLS). When deciding to use multiple regressions to analyze data, part of the process entails ensuring that the data to be studied can really be analyzed using multiple regressions. This is because it is only appropriate to apply multiple regressions if the data "passes" the assumptions that multiple regressions require in

order to get a valid result. As a result, the variables were subjected to the necessary diagnostic tests in the next section.

#### 4.5.1 Multicollinearity

When two or more independent variables are substantially correlated with each other, multicollinearity arises. This complicates determining which independent variable contributes to the variation explained in the dependent variable (Simon, 2004). The Variance Inflation Factor (VIF) is a tool for determining if study variables are multicollinear. Variance Inflation Factor was checked for indication of multicollinearity where their numerical values were all well below the cut-off value of 10 suggested by Neter, et al., (1996). There was no collinearity among the independent variables based on this rule of thumb.

*Table 4.7: Multicollinearity test for the study variables*

Variable	VIF	Tolerance
Basic pay	.675	1.482
Allowances	.680	1.471
Cash bonus	.634	1.413
Salary increment	.617	1.619

Source: (Survey data, 2024)

#### 4.5.2 Homoscedasticity

In a study, homoscedasticity occurs when the variance of residuals (error term) is the same for all predicted variables (Tabachnic & Fidell, 2007). Heteroscedasticity in a study, on the other hand, occurs when the variance of the errors varies between observations (Long & Ervin, 2000). There are different ways for measuring the availability of heteroscedasticity. The most commonly used methods is Breusch-Pagan test which was used to test the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. Breusch-Pagan tests the null hypothesis that heteroscedasticity is not present. If sig-value is less than 0.05, reject the null hypothesis. A large chi-square value greater than 9.22 is an indication of the existence of heteroscedasticity (Sazali, et al., 2010). In this study, the sig value for

fitted values of dependent variable organizational performance was 0.1908 and chi square value of 1.71, which are indicating that heteroscedasticity was not a concern.

*Table 4.8: Breusch-Pagan for heteroscedasticity*

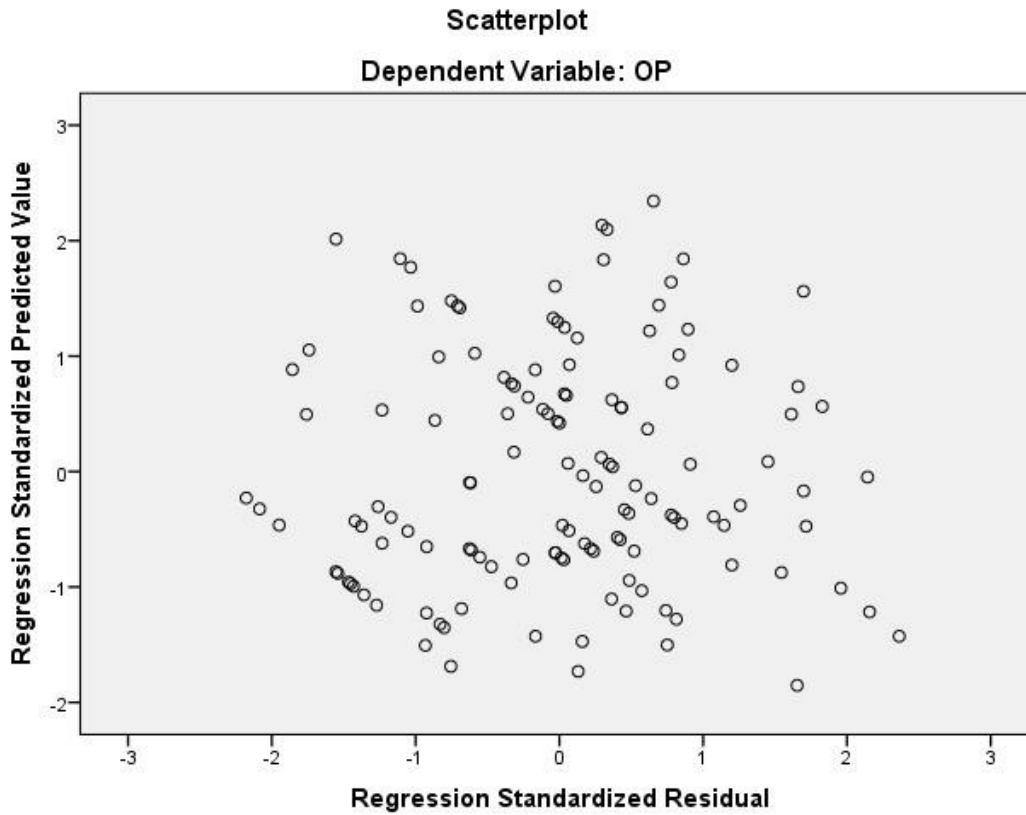
Breusch-Pagan / Cook-Weisberg test for heteroscedasticity
Ho: Constant variance
Variables: fitted values of organizational performance
chi2(1) = 1.71
Prob> chi2 = 0.1908

Source: (Survey data, 2024)

### **4.5.3 Linearity**

The linearity assumption in multiple regression analysis assumes that the dependent variable and each of the independent variables, as well as the dependent variable and the independent variables collectively, must have a linear relationship (Asghar & Saleh, 2012). The most frequent method for evaluating linearity is to create scatter plots and then visually evaluate them for linearity. It is a sign of linearity if the figure has no evident pattern and the points are evenly distributed above and below zero on the X-axis, and to the left and right of zero on the Y-axis. The scatter-plot of standardize residual against linearly predictive value is shown in the figures below. The figures have a horizontal band of points indicating the linear relationship.

Figure 4.1: a standardize residual scatter plot dependent variables



Source: (SPSS Output, 2024)

#### 4.5.4 Autocorrelation

In multiple regressions, the assumption of autocorrelation (serial correlation) is a critical assumption that the error terms are independent of one another. This is especially true for time series data, which are organized chronologically. The Durbin-Watson test is one of the most widely used methods for determining if there is autocorrelation, or a linear connection between the error terms for one observation. If the value of  $d$  is between 1.5 and 2.5, there is no autocorrelation, according to Cochrane (1997). As may be seen in table 4.11, the outcome revealed that there is no autocorrelation.

Table 4.9: Durbin-Watson test for autocorrelation

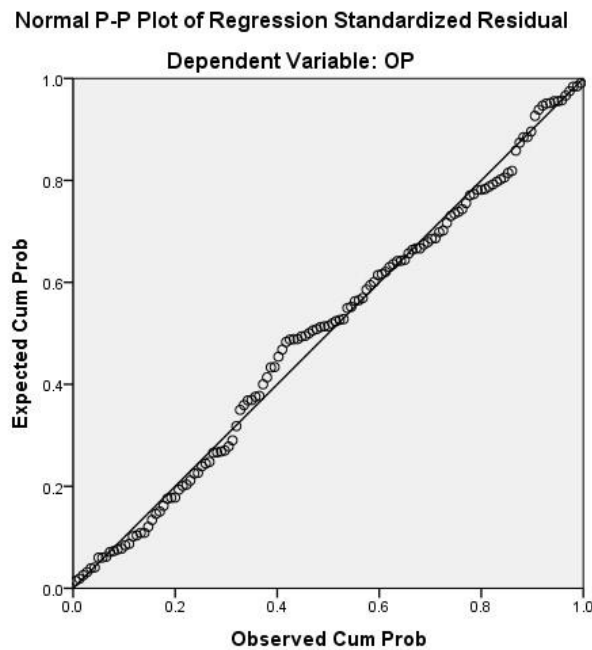
Test	Dependent variable	Value
Durbin-Watson	Organizational Performance	1.708

Source: (Survey data, 2024)

### 4.5.5. Normality

The normality assumption in multiple regressions assumes that residuals (errors) are nearly regularly distributed. The residuals of the regression should follow a normal distribution in order to derive accurate inferences from regression analysis. Plotting normal P-P or Q.Q for the dependent variable to corroborate the given result is a straightforward technique to check this assumption (Asghar & Saleh, 2012). The cumulative probabilities (values range from 0 to 1) are plotted on the X-axis, and the predicted probabilities given the normal curve are plotted on the Y-axis. The points would be on a straight diagonal line if the sample was exactly normally distributed. The graph below illustrates Normal P-P plots for the dependent variables (organizational performance), in which the points lie on a straight line, indicating that the data is normally distributed.

**Figure 4.2: Normal P-P Plot of residual for dependent variables**



*Source: (Survey data, 2022)*

### 4.6. Analysis of Regression Results

The main objective of study was to examine the effect of financial compensation on performance of Ahadu Radio and Television. This was done through regression analysis. The independent variable financial compensation management are

operationalized through: Basic pay, Allowances, Cash bonus, and Salary increment. Thus, study sought to determine the effect of each of the financial compensation (Basic pay, Allowances, Cash bonus, and Salary increment) on the organizational performance. The result of the regression analysis is presented in the following section.

*Table 4.10: Model Summary for financial compensation management and the organizational performance<sup>b</sup>*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.702 <sup>a</sup>	.493	.481	3.558	1.708

a. Predictors: (Constant), Basic pay, Allowances, Cash bonus, and Salary increment

b. Dependent Variable: Organizational performance

Source: (Survey data, 2024)

The result shows that the four independent variables (Basic pay, Allowances, Cash bonus, and Salary increment) that were studied explain 48.1% of variation in organizational performance as represented by the R<sup>2</sup> value. The remaining 51.9% of the variability in organizational performance is left unexplained by the explanatory variables used in the study.

The result in ANOVA table 4.13 shows that the sum of squares of the regression is 1588.321 at 3 degrees of freedom and a mean square of 529.440. The residual sum of squares is 1632.702 with 129 degrees of freedom and mean square value of 12.657. The test for the joint significance which is given by the F statistic is 41.831, it is statistically significant. This implies that the independent variables, that are Basic pay, Allowances, Cash bonus, and Salary increment considered were relevant in explaining organizational performance of Ahadu Television and radio.

*Table 4.11: ANOVA for financial compensation and the organizational performance a*

Model	Sum of Squares	df	Mean Square	F	Sig.
-------	----------------	----	-------------	---	------



Regression	1588.321	3	529.440	41.831	.000 <sup>b</sup>
1 Residual	1632.702	129	12.657		
Total	3221.023	132			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Basic pay, Allowances, Cash bonus, and Salary increment

(Source: Survey data, 2024)

The findings in Table 4.14 show the coefficients of the regression. According to the findings, the all four financial compensation (Basic pay, Allowances, Cash bonus, and Salary increment) are significant in predicting the organizational performance since the p values were less than 0.05.

Basic pay as one practice of financial compensation has also positive and significant effect on organizational performance with a beta value (beta =.361) and t value of 4.347 which is also statistically significant. Similarly, Allowances has also positive and significant effect on organizational performance with a beta value (beta =.335) and t value of 2.789 which is also statistically significant. Cash bonus has also positive and significant effect on organizational performance with a beta value (beta =.596) and t value of 3.882 which is also statistically significant. Salary increment has also positive and significant effect on organizational performance with a beta value (beta =.456) and t value of 2.873 which is also statistically significant.

Table 4.12: Coefficients for financial compensation and the organizational performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Beta	Std. Error	Beta		
(Constant)	-45.933	7.710		-5.957	.000
BP	.361	.083	.332	4.347	.000
	.335	.120	.212	2.789	.006

A	.596	.154	.310	3.882	.000
CB					
SI	.456	.154	.265	2.873	.000

Source: (Survey data, 2024)

When these beta coefficients are substituted in the equation, the model becomes

$$Y = 0.361BP + 0.335A + 0.596CB + 0.456SI - 45.933$$

Where: Y is the Organizational Performance of Ahadu television and Radio., BP is Basic pay, A is Allowances, CB is Cash Bonus and SI is Salary increment. This means that holding other factor constant one-unit increase in basic pay result in 0.361-unit increase in the organizational performance, one-unit increase in allowances result in 0.335-unit increase in organizational performance, and one-unit increase in cash bonus result in 0.596-unit increase in organizational performance.

#### 4.7 Testing Hypothesis

ANOVA analysis is normally used to compare the mean scores of more than two groups or variables. It is also called analysis of variance because it compares the variance between groups (Pallant, 2005). More over the F ratio or F statistic represents the variance. If the F ratio is large and probability is less than 0.05 then it is termed statistically significant (Saunders, 2012). In addition to this Pallant (2005) indicate that a significant F test indicates that we can reject the null hypothesis and accept alternate hypothesis, stating that the population means are equal we used ANOVA to check the acceptance or rejection of hypotheses of the study.

**H1: Basic pay positively and significantly affect organizational performance.**

From the above ANOVA table, it can be seen that F ratio is 145.79 and the significance level is less than 0.05. The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H1). The large value of F ratio and less value of significance

level  $F = 145.79$   $p < .0005$ . indicates that we have to reject the null hypothesis and accept alternate hypothesis i.e. There is significant relationship between basic payment and organizational' performance. This implies that any change (positive or negative) in payment will follow by a change on employees' performance. Thus Ahadu Radio and Television as well as other organizations should give adequate attention to the above mentioned reward dimensions.

**H2: Allowances positively and significantly affect organizational performance.**

From the above ANOVA table, it can be seen that F ratio is 647.41 and the significance level is less than 0.05 or 5%. The decision rule is that we reject the null hypothesis ( $H_0$ ) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis ( $H_2$ ). The large value of F ratio and less value of significance level [ $F = 647.41$ ,  $p < .0005$ ] indicates that we have to reject the null hypothesis and accept alternate hypothesis i.e. there is significant relationship between Allowances and organization performance. This implies that like payment allowances have also high effect on organization performance. A change on the level or type of allowance will be followed by a change on organization performance. For this reason, Ahadu Radio and Television plc has also give adequate attention for the type and level of allowances it providing to get the required performance level from its employees in the return.

Concluding remarks of the test: From the ANOVA test as performed above, it is concluded that the alternate hypotheses of the study are accepted. Hence proved that, there is significant relationship between basic payment and organizational performance, and allowance and organizational performance.

**H3: Cash Bonus positively and significantly affect organizational performance**

The decision rule is that we reject the null hypothesis ( $H_0$ ) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis ( $H_3$ ). The large value of F ratio and less value of significance and the value of adj.  $R^2$  difference indicate that

we have to reject the null hypothesis and accept alternate hypothesis i.e. there is a significant difference between Cash bonus on organizational performance.

**H4: Salary Increment positively and significantly affects organizational performance.**

The decision rule is that we reject the null hypothesis (H0) if the significance level is less than 0.05 or 5% and accept the alternate hypothesis (H4). The large value of F ratio and less value of significance and the value of adj. R2 difference indicate that we have to reject the null hypothesis and accept alternate hypothesis i.e. there is a significant difference between Salary Increment on organizational performance., this implies that even though the rest basic pay and allowances has significant effect on organization performance, Salary Increment has more effect than payment to enhance employee's performance. Thus Ahadu radio and television should give more priority for the Salary Increment it provides than payment.

## **CHAPTER FIVE**

### **FINDINGS, CONCLUSION AND RECOMMENDATIONS**

The purpose of the study was to examine the effect of the financial compensation management on performance of Ahadu Radio and Television with reference to Basic pay, Allowances, Cash bonus, and Salary increment. In this chapter, the summary of findings, conclusions and recommendations of the study were discussed.

#### **5.1 Summary of Findings**

The study was conducted with an aim of examining the effect of financial compensation management on organizational performance of Ahadu Radio and Television. The descriptive analysis of primary data showed that a high reliability was attained by questionnaire instrument with acceptable range of reliability coefficients. The study sample had 156 questionnaires distributed and 133 were duly completed and returned for analysis. This represented a response rate of 85.2% which according to Mugenda (2003) is good response rate. Multiple linear regression was used to t- tests has indicated varying level of significance amongst the independent variables as well as when combined, against the dependent variable. To maintain the data validity and robustness of the regressed result of the research, the most critical regression diagnostic tests consisting of outliers, leverage and influential points, Normality, linearity, Multicollinearity, Heteroscedasticity and autocorrelation were tested.

The findings of the study revealed that the combined effect of various financial compensation management practices influenced organizational performance positively. These findings were both supported by the correlation and regression result. The correlation result shows that there is positive and significant relationship between all financial compensation management practices (Basic pay, Allowances, Cash bonus, and Salary increment) and organizational performance. The finding also indicates that the highest relationship was found between Salary increment compensation management and organizational performance.

The result of regression also indicates that all predictor variables or financial compensation management practices (Basic pay, Allowances, Cash bonus, and Salary increment) have statistically significant contribution on combined influence the organizational performance. The adjusted  $R^2$  of 0.481 indicates 48.1% of the variance in organizational performance can be predicted by financial compensation management practiced by the company. Therefore, financial compensation management practices have a positive and significant effect on organizational performance.

## **5.2 Conclusions**

The study was undertaken to examine the effect of financial compensation management practice on organizational performance of Ahadu Radio and Television. Accordingly, based on the findings presented in the above section; the researcher makes some conclusions concerning the relationship between the financial compensation management practice and organizational performance.

The first specific objective of the study aimed to determine the effect of basic pay practice on organizational performance of Ahadu Radio and Television. The finding demonstrated that basic pay practice has significant and positive effect on organizational performance of Ahadu Radio and Television. The test for significance was showed that the effect was statistically significant. This means that basic pay practice has a higher potential of improving organizational performance level of Ahadu Radio and Television; so that the company should therefore leverage on this practice and used it as an important tool for improving the organizational performance.

The second specific objective of the study sought to assess the effect of allowance practiced on organizational performance of Ahadu Radio and Television. Results revealed that allowances practice has significant and positive effect on organizational performance of Ahadu Radio and Television. This is supported by the test for significance which showed that the effect was statistically significant. This means that allowances has a higher potential of improving organizational performance level of Ahadu Radio and Television so that company should therefore

force on this practice and make it a reference point for improve the organizational performance.

The third specific objective of the study intended to assess the effect of cash bonus practice on organizational performance of Ahadu Radio and Television. The result illustrated that cash bonus compensation management practice has significant and positive effect organizational performance of Ahadu Radio and Television. The test for significance also was showed that the effect was statistically significant. This means that cash bonus compensation and reward management practice is good at predicting organizational performance of Ahadu Radio and Television. This implies that the company should therefore ensure that they leverage on compensation and reward management practice as one human resource management practice.

Overall, it can be concluded that all the four financial compensation management practice (Basic pay, Allowances, Cash bonus, and Salary increment) influence organizational performance of Ahadu Radio and Television positively and significantly. The improvement of these financial compensation management practices by company has a higher potential of improving organizational performance. Thus, it can be concluded that improved human resource management practices are an increasingly important weapon to ensure the higher organizational performance. Therefore, the management of Ahadu Radio and Television should influence these four financial compensation management practices as a way of improving the company performance.

### **5.3 Recommendation**

Based on the findings and conclusions of the study, the researcher provides the following recommendations aimed at ensuring that the financial compensation and practices adopted by the company play a positive role in ensuring the improved performance and competitive advantage of the company.

As regards the Basic pay practice, the company should formulate strategies for both variable and fixed payment scheme for their employees. To achieve this, employees should be involved in all activities of the company starting from the formulation through implementation and up to evaluation of basic pay. More so, managements should undertake different.

The company should specifically work to improve employees' awareness towards the current compensation practice of the broadcast. Also the Ahadu needs to create a system that can link the two parties (management and employees) to make open discussion on the financial compensation management system.

The broad cast should create a culture of recognizing small and large accomplishment: employees should be compensating financially immediately when they meet large goals and perform best individually as well as in team.

Ahadu radio and television need to revise the financial compensation management system. Specially the management should consider the need of the employees while developing its' compensation system. Furthermore, Ahadu radio and television should compensate employees more frequently specially after meeting individual as well as organizational objectives. This is because frequent compensate are easily linked to the performance. Thomson & Rampton, (2003), further maintains that, organizations that reward employees more often improve employees' performance compared to having the rewards maybe only once a year.

The financial compensation system of Ahadu radio and television should develop some sort of criteria that are free from biased and segregation. The criteria for most of the financial compensation like (allowances and salary increment) should not only base on service year of the employees it has also attached with the employees' PMS result. In relation to this, financial compensation like bonus should be based on employees' individual or team performance.



## References

- Armstrong M. (2006). *A Handbook of Human Resource Management Practices*, 10th ed., Cambridge University Press, Great Britain.
- Armstrong M. (2009). *Armstrong's handbook of human resource management practices*. 11th ed. London and Philadelphia: Kogan Page.
- Assessment methods in recruitment, selection and performance; A Manager's guide to psychometric testing, interviews and assessment centers*, United Kingdom; Kogan Page limited.
- Babble, E. (2002). *Survey Research Methods*. (2ed.). Belmont, Wodsworth.
- Beer, M., Spector, B., Lawrence, P.R., Quinn-Mills, D., & Walton, R.E. (1984); *Managing Human Assets*. New York: Free Press.
- Bos-Nehles, A. C., Riemsdijk, M., & Looise, J., (2013). Employee Perceptions of Line Management Performance: Applying the AMO Theory to Explain the Effectiveness of Line Managers' HRM Implementation, *Human Resource Management*, 52(6), 1–17.
- Bratton J. and Gold J., (2007). *Human Resources Management, Theory and Practice*, Palgrave Macmillan, UK.
- Cooper, D., & Schindler, P. (2011). *Business Research Methods*, 11th, edition. India, New Delhi
- Cothari, C. (2004). *Research Methodology; Methods and Techniques*. (2nd ed). New Delhi, India: New age International Publishers.
- Davis, H. (2005). Human Resources Management: A Strategic Perspective, *Organizational Dynamics*, 34(2), 51–67.
- Dawson, C. (2009). *Introduction to Research Methods: A practical guide for anyone undertaking a research project*. United Kingdom, Newtec Place, how to Books Ltd.
- Decenzo, D. Robbins, S.P (2005). *Fundamental of Human Resource Management*, 8th ed. USA:
- John Wiley and Sons Inc. Endenborough, R. (2005).
- Delery, J. and D. Doty (1996), *Models of theorizing in strategic human resource management: tests of universalistic, contingency and configurational*

- performance prediction, *Academy of Management Journal*, 39(4), 802–835.
- Dessler, G. (2007). *Human Resource Management*, (11th Ed.). New Delhi: Prentice-Hall Inc.
- Fix, B., (2018), *The Trouble with Human Capital Theory*, *Real-World Economics Review*, World Economics Association, Bristol, Issue no. 86, Pp. 15-32.
- Gill, J. & Johnson, P. (2002). *Research Methods for Managers*, (3rded.). England, London: Sage Publications.
- Grant, R. M., (1999). *The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation*, *California Management Review*, 33(3), 114- 135.
- HafsaShaukat, Namrah Ashraf and Shahzad Ghafoor (2015), *Impact of Human Resource Management Practices on Employees Performance: Middle-East Journal of Scientific Research* 23 (2): 329-338.
- Hamzah Mohammad A. Al\_Qudah, Abdullah Osman, Hamzah Edris M. Al\_Qudah (2014), *The Effect of Human Resources Management Practices on Employee Performance: International Journal of scientific & Technology Research* volume 3, Issue 9.
- Haque, M. F., Haque, M. A., & Islam, S., (2014). *Motivational Theories – A Critical Analysis*. *ASA University Review*, 8(1), 61- 68.
- Harney, B. (2016), *Contingency theory*, *An Encyclopedia of Human Resource Management*, Cheltenham: Edward Elgar, 72-73.
- Hartel, K. (2007). *Human Resource Management: Transforming Theory into Innovative Practice*. Pearson Education: Australia.
- Harzing, A. (2004). *International Human Resources Management* (2nd Ed), London: Sage Publications Ltd. 216.
- Kothari, C. (2004). *Research Methodology. Methods and Techniques*. (2nded). India, New Delhi: New age International Publishers.
- Lavrakas, P. (2008). *Encyclopedia of Survey Research Methods*. United States of America, Los Angeles; Sage Publications.

McGraw-Hill Publishing.

Michael Armstrong (2014), *Armstrong's Hand Book of Human Resource Management Practice*, thirteenth edition, Printed and bound in the UK by Ashford Colour press Ltd.

MitikuEmiru (2017), *The effect of Training and Development on Employees' Performance at Ministry of Public Service and Human Resource Development*, MA-Thesis, AAU.

Mweru, M. C., & Muya, M. (2015), *Features of Resource Based View Theory: An Effective Strategy in Outsourcing*, *International Journal of Management and Commerce Innovations*, 3(2), 215-218.

Olanyan, D. & Okemakinde, T., (2008), *Human Capital Theory: Implication for Educational Development*, *Pakistan Journal of social sciences*. 5(5), 479-483.

Richardson, M. & Smith, T. (1993). *A test of Multivariate Normality in Stock Returns*. *Journal of Business*. Vol. 66(2) 295-391.

Rob, J. (2010). *Likert items and scales*, Survey Question Bank: Methods Fact Sheet1 (march 2010). University of Strathclyde.

Samuel, M. O., & Chipunza, C. (2009). *Employee retention and turnover: Using motivational variables as a panacea*. *African Journal of Business Management*, 3(8), 410-415.

Stainer, G.T. (2012). *Introduction: from personnel management to human resource management*, A critical Text, Thomson Learning. London.

Steers, R. M. (1977). *Antecedents and outcomes of organizational commitment*. *Administrative Science Quarterly*, 22(1): 46-56.

Susan, J. (2004). *Likert scales: how to use them*. Blackwell Publishing Ltd *Medical Education* 2004; 38: 1212–1218

Tabachnick, B. & Fidell, L. (2007). *Using the multivariate statistics (5thed.)*. USA, Boston, Allyn and Bacon publisher.

Verquer, M, Beehr TA, and Wagner, SH (2003). *A meta-analysis of the relations between person-organization fit and work attitudes*. *Journal of Vocational Behavior*, 63:473–489.

- Weber, R. (1990). Basic Content Analysis. England, London. Sage Publisher.
- Wilcox, R. (1999). Introduction to Robust Estimation and Hypothesis Testing.  
England, London; Academic Press.
- Wilcox, R. (2001). Fundamentals of Modern Statistical Methods. USA, New York;  
Springer Publisher.

**Appendix II QUESTIONNAIRE**  
**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

The purpose of this questionnaire is to collect data for post graduate study at St. Mary's University for the study entitled "**The Effect of financial compensation management on organizational performance in Ahadu Radio and Television.**". This questionnaire is required to assist in determining the objectives of the study. Your privacy will be kept anonymously and, therefore, no one knows who provided the information. Any information provided will be used for academic purpose only and will be treated in strict confidence. Therefore, you are kindly requested to provide your responses to different questions below.

Thank you in advance for agreeing to participate in this study.

**Part One: Respondents Profiles**

**Instruction:** - Circle your response or indicate "√" in the box beneath for each question. You don't need to write your name.

1.	Sex:	a) Male b) Female
2.	Age:	a) 18-25years                      c. 41-55 years b) 26-40 years                      d. over 55 years
3.	Education level	a) Primary school                      d. First Degree

		b) Secondary school Master Degree and above c) Diploma e.
4.	For how long have you been employed in this company?	a) 1 – 5 years b) 6 – 10 years c) 11 – 15 years d) > 15 years
5.	Position in the Organization?	a) Clerical b) Professional c) Managerial

## Section II. Financial compensation Practice

Please indicate the extent to which you agree with the following statements by putting √ in the space provided. 5= Strongly Agree 4=Agree 3 = Neutral 2= Disagree 1=Strongly Disagree

SN.	Basic pay	Rating scale				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
1.	My salary is satisfactory in relation to what I do					
2.	My salary is fair when compared with that of similar jobs in other.					
3.	My salary is enough to satisfy my needs.					
4.	The salary scale (grade) and pay structure implemented by Ahadu radio and television satisfy and motivate employees for better performance					
5.	The salary compensation at Ahadu radio and television focuses on the real needs of employees.					
	<b>Allowances</b>					
1	House allowance provide by Ahadu TV are fair and it is matches with the current market price.					
2	Transportation allowance is fair with the current cost of transportation service					

3	Hard ship allowance is satisfactory and made adjustment according to the current market.					
4	There is a good and sufficient management allowance at Ahadu TV					
5	There is a good and attractive allowances payment in the company					
	<b>Bonus</b>					
1	The organization's bonus practices strongly consider the level of my performance.					
2	Ahadu radio and television bonus scheme is satisfactory and attractive when compared with that of similar jobs in other broadcasting company.					
3	The rater gives feedback after the appraisal result.					
4	Ahadu TV financial compensation in the form of bonus is merit based.					
5	Cash bonus at Ahadu television and radio are applied in justifiable and inclusive manner.					
	<b>Salary increment</b>					
1	Salary increment at Ahadu television and radio is managed fairly					
2	Salary adjustment made frequently according to the current market					
3	Ahadu television and radio annual salary increment is sufficient to satisfy my financial compensation					
4.	The company salary increment implemented on time.					
5	The company salary increment done depend on employee performance result					

**Part III: Organizational Performance Measure**

Please indicate the extent to which you agree with the following statements by putting √ in the space provided. 5= Strongly Agree 4=Agree 3 = Neutral 2= Disagree 1=Strongly Disagree

NO.	Organizational Performance	SA(5)	A(4)	N(3)	D(2)	SD(1)
1.	Amount of company net income has been increasing over the time.					
2.	The company market share has increased over time.					
3.	The number of customers has been increasing over the years.					
4.	The company is able to achieve stated goals.					
5.	The reputation and brand image of the company has improved.					
6.	The company product and service quality has improved over the year.					
7.	Each section understands the role it plays in achieving organizational goals.					
8	The organization functions smoothly with a minimum of internal conflict.					
9	The job done by employees maintains work accuracy.					
10.	The satisfaction of customers has improved over the years					

Thank you very much again.



## **Appendix III Interview Questions**

1. What kind of financial compensation does Ahadu Television and Radio pays?
2. What methods Ahadu Television and Radio uses to set a pay scale?
3. What issues does Ahadu Television and Radio considers in preparing compensation system?
4. How Ahadu Television and Radio tries to narrow a wide pay gap between employees & managers?
5. What challenges does Ahadu Television and Radio faces in regard financial compensation how it tries to solve them?
6. How does Ahadu Television and Radio design financial compensation system?
7. What looks like Ahadu Television and Radio ability to pay and financial stability?