



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**THE EFFECTS OF FRINGE BENEFIT ON EMPLOYEE  
PERFORMANCE: THE CASE OF ABYSSINIA BANK**

**BY**

**REDIET ZENABU WOGAHITA**

**July, 2023**

**SMU, Addis Ababa, *Ethiopia***

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**Advisor: Aderaw Gashaye(Phd).**

**THESIS SUBMITTED TO ST. MARY'S UNIVERSITY  
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**SMU, Addis Ababa, Ethiopia**

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**APPROVED BY BOARD OF EXAMINERS**

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## DECLARATION

I, Rediet Zenabu, hereby declare The effect of fringe benefit on employee performance: the case of Abyssinia bank is my own work, that it has not previously been submitted for any degree or examination to any other university, and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

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As thesis research advisor, I hereby certify that I have read, evaluated, and recommended to the St.Marry's University to accept the thesis submitted by Rediet Zenabu, titled "**The effect of fringe benefit on employee performance: the case of Abyssinia bank** " in partial fulfilment of the requirements for the award of a Master's Degree in Business Administration .

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**St. Mary's University, Addis Ababa**

**July, 2023**

## **ENDORSEMENT**

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

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Name

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Signature

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**July, 2023**

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## Table of Contents

APPROVED BY BOARD OF EXAMINERS .....	vi
ENDORSEMENT.....	viii
ACRONYMS AND ABBREVIATIONS .....	xvi
List of Tables.....	xiv
List of Figures.....	xv
<b>Abstract</b> .....	1
Introduction .....	2
1.1. Background of the Study.....	2
1.3. Statement of the Problem.....	4
1.4. Research Questions .....	6
1.5 Objective of the Study .....	6
1.5.1. General Objective .....	6
1.5.2. Specific Objectives .....	6
1.5. Research Hypothesis .....	7
1.8. Significance of the study .....	7
1.9. Scope of the study .....	7
1.10. Definition of basic terms.....	7
1.11. Organization of the study.....	8
CHAPTER TWO .....	9
REVIEW OF RELATED LITERATURE.....	9
2.1. Theoretical review .....	9

2.1.1. Definition and concept of Fringe Benefit.....	9
2.1.2. Types of Fringe Benefits.....	10
2.1.3. The Concept Employee Performance .....	11
2.2.4. Features of employee performance.....	12
2.1.6. Theories of Motivation .....	13
2.2. Empirical Review.....	17
2.2.1. Employee Productivity.....	17
2.3.2. Employment Security Benefits.....	18
2.2.3. Overtime .....	18
2.2.4. Annual Leave .....	19
2.2.5. Maternity Leave .....	20
2.2.6. Educational and House Allowances .....	20
2.2.7. Health Protection Benefits .....	21
2.2.8. Retirement Benefits .....	23
2.2.9. Personnel Recognition Benefits .....	25
2.2.10. Effect of below market loan on job performance .....	27
2.2.11. Summary and Gaps.....	27
2.3. Conceptual framework.....	28
CHAPTER THREE .....	29
RESEARCH DESIGN AND METHODOLOGY .....	29
3.1. Background of Bank of Abyssinia.....	<b>Error! Bookmark not defined.</b>
DATA PRESENTATION, ANALYSIS, AND DISSCUSSION.....	37

4.1. Response Rate.....	37
4.2. Internal Consistency of Study Variables .....	37
4.1.Demographic Profile of Respondents .....	38
4.3. Descriptive Statistics of independent and dependent Variable .....	40
4.3.1. Annual leave and Performance Status .....	40
4.3.2. Below market loan and Performance Status.....	41
4.3.3. Maternity leave and Performance Status.....	42
4.3.3. Overtime Payment and Performance Status.....	43
4.3.Correlation and Regression Analysis .....	44
4.3.1. Correlation Analysis .....	44
4.3.2 Regression Analysis .....	45
4.10.2 Regression Analysis Results .....	51
CHAPTER FIVE .....	55
SUMMARY, CONCLUSSION AND RECOMMANDATION .....	55
5.1 Summary.....	55
5.2. Conclusions.....	56
5.3 Recommendations .....	57
5.4. Suggestion For Future Studies .....	58
Reference .....	59



## List of Tables

Table 1-Model Specification.....	<b>Error! Bookmark not defined.</b>
Table 2-gender of respondents .....	<b>Error! Bookmark not defined.</b>
Table 3-Age of respondents .....	<b>Error! Bookmark not defined.</b>
Table 4-Professtional qualification of respondent.....	<b>Error! Bookmark not defined.</b>
Table 5-Level of Management of the respondents .....	<b>Error! Bookmark not defined.</b>
Table 6-Year of work of the respondents .....	<b>Error! Bookmark not defined.</b>
Table 7: Annual Leave Measurement.....	<b>Error! Bookmark not defined.</b>
Table 8: Below market Loan Measurement.....	<b>Error! Bookmark not defined.</b>
Table 9: Maternity Leave Measurement .....	<b>Error! Bookmark not defined.</b>
Table 10-Overtime Payment Measurement .....	<b>Error! Bookmark not defined.</b>
Table 11: Multicollinearity Test.....	<b>Error! Bookmark not defined.</b>
Table 12: Autocorrelation Test .....	<b>Error! Bookmark not defined.</b>
Table 13: Independence of Error Test .....	<b>Error! Bookmark not defined.</b>
Table 14: Normality Test .....	<b>Error! Bookmark not defined.</b>
Table 15 Cronbach’s Alpha Coefficient of the Study Variables.....	<b>Error! Bookmark not defined.</b>
Table 16: Norm for Evaluating the Magnitude of a Correlation.....	<b>Error! Bookmark not defined.</b>
Table 17: Pearson correlation.....	<b>Error! Bookmark not defined.</b>
Table 18: ANOVA Test.....	<b>Error! Bookmark not defined.</b>
Table 19: Evaluation of Model.....	<b>Error! Bookmark not defined.</b>
Table 20: Evaluation of an independent variable .....	<b>Error! Bookmark not defined.</b>

## List of Figures

Figure 1-conceptual framework .....	<b>Error! Bookmark not defined.</b>
Figure 2-Normal P-P plot.....	<b>Error! Bookmark not defined.</b>
Figure 3: Scatter Plot .....	<b>Error! Bookmark not defined.</b>
Figure 4; Normality Curve.....	<b>Error! Bookmark not defined.</b>
Figure 6: Test of outlier .....	<b>Error! Bookmark not defined.</b>

## **ACRONYMS AND ABBREVIATIONS**

ERG	Existence, Relatedness, Growth
BOA	Bank of Abyssinia
CBE	Commercial Bank of Ethiopia
USA	United State of America
HRM	Human Resource Management
ANOVA	Analysis Of Variance

## ***Abstract***

The main objective of this study was to examine the effect of fringe benefits on employee performance in Abyssinia bank central district. The Abyssinia central Addis Ababa district is selected purposely for its convenience and sample size of 85 employees out of 323 were selected using simple random sampling technique. The study used descriptive and inferential statistics. The findings from the correlation analysis showed that the dependent variable (employee performance) was significantly related to independent variables namely, annual leave, below-market loan, maternity leave and overtime payment indicating that the level of employees' performance at the bank was positively correlated to employee performance. Moreover, regression analysis was also conducted to identify significant factors group among the fringe benefits factors group that affect the employee performance. The output from regression analysis showed that the fringe benefit factors group jointly affect the dependent variable (employee performance) implying that the better fringe benefits package, better the employee performance at the bank. Furthermore, the fringe benefits factors group explained 69.3 percent of the variations in employee performance indicating that fringe benefits factors group had a significant influence on employee performance. The results from regression analysis also showed among the independent variables, below market loan factor group is the most dominant and significant factor group affecting employee performance followed by annual leave and maternity leave. Therefore, the study suggested that the bank administration should continue providing all kinds of fringe benefits to its employees and introduce some new forms of such benefits if required since the benefits positively affect employee performance.

*Key words: annual leave, bank, below market loan, employee performance, maternity leave, overtime pay*

# CHAPTER ONE

## Introduction

This section addresses the background of the study, statements of the problem, Objectives of the study, Significance of the study, Scope of the study, limitation of the study and background of the organization.

### 1.1. Background of the Study

In today's highly competitive business environment, organizations strive to maximize their performance by ensuring the productivity and satisfaction of their employees. It is widely acknowledged that employees who feel valued and well taken care of are more likely to be motivated, engaged, and committed to their work. One crucial aspect of employee satisfaction is the provision of fringe benefits, which go beyond the basic salary and encompass additional perks and incentives .

Fringe benefit is one of the most important element to motivate employees for contributing their best effort (Karami,Dolatabadi,saeed,2013). Doreen and Nkrumah(2013) a well-developed system of benefit can be one example of quality work in reverse duly administered employee benefit can lead to unproductive staff. Offering fringe benefits is a one way to demonstrate the importance of employee involvement and well-being to the banking sector.

The relationship between fringe benefits and employee performance has garnered significant attention from researchers and organizations alike. Fringe benefits, which encompass additional perks and incentives beyond basic salaries, are designed to enhance employee well-being, job satisfaction, and overall performance. These benefits are offered by organizations to show appreciation for employees' efforts and to create a positive work environment that fosters loyalty, motivation, and productivity .

Numerous studies have examined the impact of fringe benefits on employee performance, and the findings consistently highlight their positive influence. For example, a study by

Milkovich and Newman (2020) demonstrated that comprehensive fringe benefit packages, including health insurance, retirement plans, and flexible work arrangements, contribute to higher job satisfaction and lower turnover rates among employees. Similarly, Buelens and Bouckennooghe (2021) found that employees who receive desirable fringe benefits tend to exhibit higher levels of engagement, organizational commitment, and job performance .

The impact of these benefits has impact on improvement of job satisfaction, motivated workers, Highly contributes to the success of the company. Employers that provide fringe benefit has high chance of retaining, motivating, qualified employees. Ifedi,k.(92012).In the current human resource industry companies are constantly striving on adding values to their employee as one means motivating factor. (Beardwell & L, 1994).

Ethiopia, like many other countries, faces economic challenges that can potentially affect the ability of organizations to offer substantial fringe benefits to their employees. However, understanding the relationship between fringe benefits and employee performance is crucial in formulating effective strategies that ensure the well-being of employees and enhance organizational success .

The study used one of the fastest growing bank in Ethiopia. The present-day Bank of Abyssinia(BOA) was established on February 1996 .BOA started its operation with an authorized and paid-up capital of Birr 50 million, and Birr 17.8 million respectively, and with only 131 shareholders and 32 staff .

In two decades since its establishment Bank of Abyssinia has registered significant growth in paid-up capital and total asset. It also attracted many professional staff members, valuable shareholders, and large customers from all walks of life. This performance indicates public confidence in the Bank and reliability and satisfaction in its services. Source- [www.bankofabyssinia.com](http://www.bankofabyssinia.com)

The study addresses the impact of fringe benefit on employee performance Due to lack of research that examines the extent of non-financial benefits and their relationship directly to employee performance, satisfaction leading to turnover, unmotivated

employees highly being spotted in the current HR area which this can be one reason for the failure of one company. if it has impacts to test if its positive or negative.so that managers can prioritize factors that promote engagement and implement effective reward strategies in a competitive environment. The study illustrates on the impact of the listed non-monetary benefit overtime pay, annual leave, maternity leave, below market loan impact on employee performance .

### **1.3. Statement of the Problem**

Organizations particularly those in the banking industry, are required to provide adequate fringe benefits to their employees. This is because employees anticipate that their organizations will demonstrate concern and appreciation for their contributions. They anticipate that their organizations will offer benefits such as leave allowances, medical allowances, overtime pay, health protection benefits, housing allowances, and more. Every organization desires optimal performance from their employees; however, it is important to acknowledge that individuals have their own needs and can only thrive in an environment where their needs are addressed. Fringe benefits serve the purpose of fulfilling the needs of employees and contribute to their satisfaction in working for organizations that prioritize the provision of such benefits .

This days companies depend on manpower. In order a company to achieve its goal employees must use their full potential to achieve them. Doreen and Nkrumah(2013) a properly administered system of benefit can provide incentive for quality workmanship and staff performance on the other hand poorly administered benefit system can be one reason for unproductive employees, turnover. Employees should be provided with non-monetary benefit to uplift their morale ,satisfaction ,job dedication. Furthermore, numerous organizations in Ethiopia provide flimsy justifications for their failure to offer sufficient fringe benefits. Some attribute it to the economic recession in the country, which supposedly affects the employees' performance. The lack of adequate fringe benefits can lead many banking industry workers to seek better opportunities elsewhere. Employees prefer to remain in organizations that offer compensation packages, including fringe benefits, that align with their services and cater to their financial needs. Consequently, if an organization fails to provide such packages, their employees are

likely to seek employment elsewhere. When we examine these two scenarios, it becomes evident that organizations that prioritize fringe benefits tend to outperform those that do not. Therefore, this study explores the impact of fringe benefits on employee job performance. Therefore the study sought to ascertain on the fact that there is a lack of empirical data whereas fringe benefit has been stated as one specific factor on contributing on employee performance in Abyssinia banks, central district in Addis Ababa .

In case of bank sector particularly private banks company that are engaged in banking service in Ethiopian context very few studies have been carried out to establish the effect of fringe benefits on employee performance with interest to the country (Mesfin, 2013; Shewangizaw, 2017). This study, therefore, is motivated by the lack of up-to-date empirical evidence on the effect of fringe benefits of the bank in the private bank context . Previous studies on this issue in the context of private organization are only few; and even the limited available ones provide mixed evidences which motivated this study for filling this gap in literature. Besides, the researcher has a rich experience in working in private organizations for about four years with different responsibilities that assisted her to understand the challenges that top manger faces to motivates their employees to perform better due lack of research-based evidences in the majority of private sectors and often most private organizations are more interested in profit driving factors than any other factors that affects the organization performance and hence bank's profit. Furthermore, the methodological approach that the previous studies employed raises issues of concern. Although such studies help us understand the condition of the asset utilization in private companies in Ethiopia, they have some deficiencies that are addressed in this study. The other is, there are still some discourse whether fringe benefit can stand as one independent variable leading to enhancement of staff performance contributing to organization success .

Therefore the study sought to ascertain on the fact that there is a lack of empirical evidence whereas fringe benefit has been stated as one specific factor on contributing on

employee performance in Abyssinia banks. In short, this study aimed to bridge the gap in literature with the following general and specific objective.

#### **1.4. Research Questions**

- How do annual leave fringe benefits enhance employee performance in the Abyssinia bank.
- To what extent do below market loan fringe benefits affect employee performance in Abyssinia bank
- To what extent do maternity leave fringe benefits affect employee performance in Abyssinia bank
- To what extent do overtime pay fringe benefits affect employee performance in Abyssinia bank

#### **1.5 Objective of the Study**

##### **1.5.1. General Objective**

The overall object of the study was to examine the effect of fringe benefit on the performance at Abyssinia bank, central district.

##### **1.5.2. Specific Objectives**

The specific objectives of the study were:

- To determine whether annual leave fringe benefits have an effect on employee performance in the Abyssinia bank.
- To find out whether below market loan fringe benefits have an effect on employee performance in the Abyssinia bank.
- To examine whether maternity leave fringe benefits have an effect on employee performance in Abyssinia bank.
- To examine if overtime pay fringe benefits have an effect on employee performance

## **1.5. Research Hypothesis**

H<sub>1</sub>: Annual leave fringe benefits have no significant effect on employee performance

H<sub>2</sub>: Below market loan fringe benefits have no significant effect on employee

H<sub>3</sub>: Maternity leave fringe benefits have no significant effect on employee performance

H<sub>4</sub>: Overtime pay fringe benefits have no significant effect on employee performance

## **1.8. Significance of the study**

The study is intended to provide the following contribution (significance). This study will have a good deal of lesson because it will conduct in a large institution with many years of experience in banking service provision. Beneficiaries of the research output will include

- Enable the researchers to have more know how about fringe benefit
- It will serve as a source for other researchers to deal the matter further
- it show effectively the impact of fringe benefit on the employee productivity.

## **1.9. Scope of the study**

The scope of the study is limited to the impact of fringe benefit on employee performance in case of: bank of Abyssinia Central District Addis Ababa, Ethiopia. Our scope in this study is compounded in a managerial level, middle, lower level employees. And from among banks in Ethiopia this study is focused only in Abyssinia bank.

## **1.10. Definition of basic terms**

**Fringe benefit**-refers to compensation that are non-monetary that are other than hourly wage or salary (Armstrong,2010).

**Compensation**-in financial terms it is wage or salary for the work they do.in non-financial term it can be offered to attract or retain staff.( Gary,2004:302)

**Employee performance-** means employee productivity and output as a result of employee development.(Oroh,Lapian,&Pandowo,2014).

**Motivation-**motivation is “a condition which influences the arousal ,direction and maintenance of behavior. Human being must be satisfied, this can be causal of arousal( Koontz et al., 1990) .

### **1.11.Organization of the study**

The study have five chapters. The first chapter presents the introductory part. It includes statement of the problem, basic research questions, objectives of the study, definition of key terms, and significance of the study and scope of the study. The second chapter is focusing on related literature reviews. The third chapter deals with the source of data, the data collection instrument, the procedures of data collection, the method of data analysis, ethical consideration and validity and reliability analysis. The fourth chapter presents results and discussion of the study and finally the fifth chapter presents summary, conclusion and recommendation .

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

Any academic work strength is derived in part from its link with other relevant works. A literature review encompasses an examination of all relevant studies conducted by other scholars in the same field. It entails summarizing the findings, documenting the sources, and evaluating the strengths and weaknesses of the relevant studies. It serves as a foundation for the main study and demonstrates the significance of the main study within the research community (Babbie, 2005) .

#### **2.1.Theoretical review**

##### **2.1.1.Definition and concept of Fringe Benefit**

The term "benefit" generally refers to a favorable outcome, advantage, or positive result that is gained from a particular action, decision, or situation. Benefits can be tangible or intangible and can vary depending on the context in which they are discussed. Here are a few common meanings of "benefit". Also Fringe benefits, also known as employee benefits or perks, are additional forms of compensation provided to employees by employers, in addition to their regular wages or salaries. These benefits are provided in addition to the base pay and are designed to enhance the overall employee package, improve job satisfaction, and provide a competitive advantage in attracting and retaining talent. Lawler and Boudreau (2015) argue that benefits are an important part of a "total rewards" approach to compensation that goes beyond just salary or wages. They suggest that employers should offer a range of benefits that meet employees' needs and preferences, in order to create a more attractive work environment and improve employee retention .According to Balcher (2023) fringe benefits are any wage cost not directly connected with the employee's productive effort, performance, service or sacrifice. ' which are all kind of wages that are not connected with employees production effort, performance, service or sacrifices .

When we see regard to Bank side fringe benefits typically refer to the non-wage forms of compensation that are offered to employees in addition to their regular salary or wages.

These benefits can include things like health insurance, retirement plans, paid time off, and other non-wage perks or incentives. Banks often offer a comprehensive benefits package that includes a range of fringe benefits in order to attract and retain top talent. The specific fringe benefits offered by a bank may vary depending on factors such as the size of the organization, the types of positions being filled, and the needs and preferences of the employees. According to Osterback and Saari (2013) conducted a study on the relationship between fringe benefits and job satisfaction. They found that benefits such as health insurance, retirement plans, and paid time off were positively associated with job satisfaction, and that employees who were satisfied with their benefits were more likely to stay with their current employer .

### **2.1.2. Types of Fringe Benefits**

Article shared by Sushmita D. (2023) classified Fringe benefit on HRM under five heads as given here :

- A. employment security-this includes unemployment ,insurance, technological adjustment pay, leave travel pay, overtime pay, level of negotiation, leave for maternity, leave for grievance, holidays ,cost of living bonus, call back pays, lay-off, retiring rooms, jobs to sons of employees.
- B. Health protection-includes accident insurances, disability insurances, health insurances, hospitalization ,sick benefit, medical care. health protection-includes accident insurances, disability insurances, health insurances, hospitalization, sick benefit, medical care. Other scholars says Health insurance: A study by the National Bureau of Economic Research found that offering health insurance as a fringe benefit can have a positive impact on employee health and job satisfaction. The study also found that employees who have access to health insurance are more likely to stay with their employer. (Source: <https://www.nber.org/papers/w19284>)

- C. Other scholar Shoven and Slavov (2014): The research examines the role of retiree health insurance in the early retirement of public sector employees. It investigates how access to health insurance coverage during retirement affects the timing of retirement decisions and labor force participation, particularly among public sector workers.
- D. Old age and retirement-differed income plans, old age assistance ,old age counseling and medical benefits for retired employees, traveling concession to retired employees. A study by the Employee Benefit Research Institute found that employees who have access to retirement plans as a fringe benefit are more likely to participate in the plans and save for retirement. The study also found that employers who offer retirement plans are more likely to attract and retain employees(Burke,1994).
- E. miscellaneous categories –includes payment for time not worked, extra pay for time worked, retirement compensation, lay-off compensation. Paid time off: Employers may offer paid time off as a fringe benefit, such as vacation days, sick days, or personal days. This benefit can help employees maintain a healthy work-life balance and reduce stress(Borman & Motowidlo)

### **2.1.3. The Concept Employee Performance**

If an individual performs according to the expected standards, then the organization performance will be enhanced and improved(Chegini,2009).factors used to measure an individual performance vary from one field of work to another. These factors will include the relationship of work experiences, job stress and psychological wellbeing.(Burke,1994) The concept of employee performance is a central aspect of organizational success. Employee performance refers to the level of accomplishment, effectiveness, and productivity demonstrated by an individual in fulfilling their job responsibilities and achieving organizational goals. It encompasses various dimensions such as task performance, contextual performance, adaptability, and creativity (Borman & Motowidlo, 1993). The concept of employee performance is a central aspect of organizational success. Employee performance refers to the level of accomplishment,

effectiveness, and productivity demonstrated by an individual in fulfilling their job responsibilities and achieving organizational goals. It encompasses various dimensions such as task performance, contextual performance, adaptability, and creativity (Borman & Motowidlo, 1993).

#### **2.2.4. Features of employee performance**

According to Delcher(2013) "Fringe benefits are any wage cost not directly connected with the employees' productive effort, performance, service or sacrifice." Moreover, according to Smritikana(2015) fringe benefit has following features

- Its indirect compensation.
- They are paid to employees based on their membership in the organizations.
- They are helpful in raising the standard of living of employees.
- They are supplementary forms of compensations.
- Employees are educated to make use of fringe benefit.
- Fringe benefit maybe statutory or voluntary. Objectives.

with regard to employee performance in the banking industry is influenced by various factors that are unique to the sector. These features encompass the specific skills, behaviors, and outcomes that are critical for success in bank-related roles. Understanding these features is essential for effectively managing and evaluating employee performance in the banking sector. Such features are listed below:

1. Customer Service Excellence: Banks rely heavily on delivering exceptional customer service to establish and maintain customer relationships.
2. Sales and Business Development: Generating revenue and meeting sales targets are crucial for banks. Employee performance is assessed based on their ability to identify and pursue new business opportunities, cross-sell banking products and services, and contribute to the bank's overall growth and profitability (Hasan & Ahmed, 2017).

3. **Regulatory Compliance:** Banks operate within a highly regulated environment, requiring employees to adhere to strict compliance standards. Performance evaluation includes the employee's knowledge of regulations, adherence to policies and procedures, and ability to mitigate compliance risks (Siddiqui, 2016).
4. **Financial Accuracy:** Given the nature of banking transactions, accuracy in financial processing is paramount. Employee performance is assessed based on their ability to perform tasks such as handling cash, processing transactions, maintaining accurate records, and minimizing errors (Hasan & Ahmed, 2017).
5. **Problem Solving and Risk Management:** Banks face complex challenges and risks that require employees to demonstrate strong problem-solving skills and risk management capabilities. Performance evaluation includes assessing the employee's ability to analyze situations, make informed decisions, and mitigate risks effectively (Siddiqui, 2016).
6. **Teamwork and Collaboration:** Banks often operate in cross-functional teams, and employee performance is evaluated based on their ability to collaborate with colleagues, contribute to team goals, and maintain positive working relationships (Hasan & Ahmed, 2017).

#### **2.1.6. Theories of Motivation**

##### **2.1.6.1. Maslow hierarchy of need**

Maslow's hierarchy of need was proposed by Abraham Maslow an American psychologist in 1943. Maslow developed a theory which classifies human need in five stage model. Maslow used terms like 'physiological, safety, belonging and love, social need or esteem, self-actualization and transcendence describe the pattern through which human needs and motivations generally moves. Maslow (1943) initially stated people are motivated to achieve certain needs and that needs take precedence over others .

##### **2.2.6.2. Douglas McGregor theory**

Douglas McGregor(1960) a social psychologist developed theory contrasting theories on how managers beliefs about what motivates their people can affect their management styles.

**a) Theory x**

Theory x uses the pessimistic view of their people and believes that they are naturally unmotivated and dislike work, avoid responsibility and needs constant direction, have to be controlled, need to be supervised at every step, have no incentive to work or ambition and need to be tempted by rewards.

**b) Theory Y**

Theory Y uses the optimistic opinion of their people and encourages collaborative and trust based relationship between managers and their team members. believed that workers are self-motivated to complete their task, more involved in decision making, enjoy taking ownership, seek and accept responsibility, need little directions.

**2.2.6.3. Expectancy Theory**

The Expectancy Theory of Motivation provides an explanation of why individuals choose one behavioral option over others. The basic idea behind the theory is that people will be motivated because they believe that their decision will lead to their desired outcome (Redmond, 2010). Expectancy theory proposes that work motivation is dependent upon the perceived association between performance and outcomes and individuals modify their behavior based on their calculation of anticipated outcomes (Torrington, 2009). This has a practical and positive benefit of improving motivation because it can, and has, helped leaders create motivational programs in the workplace. This theory is built upon the idea that motivation comes from a person believing they will get what they want in the form of performance or rewards. Although the theory is not all inclusive of individual motivation factors, it provides leaders with a foundation on which to build a better understanding of ways to motivate subordinates (AETC, 2008). Expectancy theory is classified as a process theory of motivation because it emphasizes individual perceptions of the environment and subsequent interactions arising as a consequence of personal expectations.

**2.2.6.4. Need Theory**

According to Jones and George (2006), needs-based motivation theory is based on the understanding that motivation stems from an individual's desire to fulfill or achieve a

need. Human beings are motivated by unsatisfied needs, and certain lower needs must be satisfied before higher needs can be satisfied. In general terms, motivation can be defined as the desire to achieve a goal, combined with the energy, determination and opportunity to achieve it. The basic premise of the need theory is that people are motivated to obtain outcomes at work that will satisfy their needs. It complements the expectancy theory by exploring the depth at which outcomes motivate people to contribute valuable inputs to a job and perform at high levels. A manager must determine what needs the person is trying to satisfy at work and ensure that the person receives outcomes that help to satisfy those needs when the person performs at a high level and helps the organization achieve its goals. This research will concentrate on the basis of this theory. The most basic human needs, represented by food, water, shelter and safety, are considered essential for human existence. Higher-order needs are those associated with social activities, esteem building, and self-actualization or constant self-improvement. Elaborating further on this theory, Whittington and Evans (2005) stated that "each of these needs operates at all times, although one deficient set dominates the individual at any one time and circumstance" (p.114). The motivation experienced by humans to fulfill these 13 needs is either derived from internal or external factors. People who experience internal motivation are influenced by factors that cause a sense of accomplishment and pleasure, while externally motivated people are commonly influenced by factors controlled by others, such as money and praise (Deci, 1985). Maslow's hierarchy of need theory is commonly displayed in a pyramid fashion, with the basic needs at the bottom and the higher needs at the top. The needs were depicted in this way to show the significance of each need on the others, with the most important and broadest category being the physiological needs at the base (Redmond, 2010).

#### **2.2.6.5. The Total Reward Model**

Total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefits package. In the total reward system both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and employee and include rewards such as pay, personal bonuses and other benefits. Intangible rewards

have to do with learning, development and work experience. Examples of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life. The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments. The components of the total reward can be described as in the following figure (Armstrong, 2006).

Transactional Rewards	Base Pay	Total Remuneration	Total Rewards
	Contingent Pay		
	Employee Benefits		
Relational Rewards	Learning and Development	Non Financial/Intrinsic Rewards	
	The Work Experience		

**Figure 2.1: The components of total reward (Armstrong, 2006)**

The purpose of total reward is to create a cluster where all the different reward processes are connected, complementary and mutually reinforcing each other. In order to achieve internal consistency, the total reward strategies are horizontally integrated with human resource activities and vertically integrated with business strategies (Armstrong, 2006). The benefits of a total reward system are described by Armstrong (2006) as: Greater impact when different types of rewards are combined, they will have a deep and longlasting effect on the motivation, commitment and engagement of employees. Enhancing the employment relationship, total reward appeals more to employees due to the fact that it makes the maximum use of relational as well as transactional rewards. Enhancing costeffectiveness because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages. Flexibility to meet individual needs due to the variety of rewards, the total reward is able to answer the individual needs of the employees and hence bind them more

strongly to the organization. Winning the war for talent because relational reward processes are more difficult to replace than individual pay practices, total reward gives the organization the ability to attract and retain talented employees by differentiating their recruitment process and hence becoming “a great place to work”

## **2.2. Empirical Review**

### **2.2.1. Employee Productivity**

Millea (2002) reports empirical evidence about the bi-directional relationship between employee's benefits and productivity, in particular considering the nature of the benefits setting process in different countries. The empirical evidence of this paper as well as that of a more in-depth study for Germany (Millea, 2006) can be interpreted in the light of efficiency wages, i.e. explaining productivity as resulting from particular wage levels, for given characteristics of the labor market e.g. the total level of unemployment. Leaders should try to increase the belief that good performance will result in valued rewards. Ways of doing so include: measure job performance accurately; describe clearly the rewards that will result from successful performance; describe how the employee's rewards were based on past performance; provide examples of other employees whose good performance has resulted in higher rewards. In essence, leaders should link directly the specific performance they desire to the rewards desired by employees. It is important for employees to see clearly the reward process at work. Concrete acts must accompany statements of intent. Compensation mechanisms can be a powerful incentive in linking performance to rewards. Compensation systems that reward people directly based on how well they perform their 16 jobs are known as pay-for-performance plans (Berger, 2009). These may take such forms as “commission plans” used for sales personnel, “piece-rate systems” used for factory workers and field hands, and “incentive stock option (ISO) plans” for executives (Dunn, Mercer, Carpenter, & Wyman, 2010) and other employees (Baker, 2012). However, rewards linked to performance need not be monetary. Symbolic and verbal forms of recognition for good performance can be very effective as well (Markham, Dow, & McKee, 2002).

### **2.3.2. Employment Security Benefits**

Employee remuneration is not just about pay, for example, wages and salaries. It is also concerned with non-pay benefits or „benefits in kind“. These non-pay benefits are usually known as employee security benefits; and sometimes as “perks”. On balance, the former refers to the more important benefits, such as pensions, and include those which are widely applied in the organization. The latter refer either to less significant benefits such as private health insurance, or to benefits provided primarily as a privilege (Cole, 2002). He continues by saying that the work related benefits are linked closely to the day-to-day operational requirements of the organization in relation to its members. Thus, employees need to be adequately nourished during the working day, properly trained to justify their responsibilities and provided with adequate means of transport when on the organization business.

### **2.2.3. Overtime**

Overtime is the payment over and above the normal salary and wage rates where the premium may be one and a quarter to two times. It may be used among others: where the natures of the tasks are seasonally oriented such that some seasons are more heavily loaded with activity than others. Overtime should be carefully planned and controlled in order to ensure that it is not misused by employees and so that it can also be productive (Tyson, 1999). According to the Code of Regulations (2006), when it is established that an officer is required to work overtime as a matter of urgent necessity and it is not possible to allow him equivalent time off in lieu of overtime allowance, to compensate and motivate him for the time, an allowance may be granted to him with prior approval of the Authorized Officer. Compensatory time off can also be given in lieu of payment for extra time worked. However, unless it is given to non-exempt employees at the rate of one and one half time for the hours worked over a 40-hour week, comp-time is illegal in the private sector. It can also not be carried over from one pay period to another. The only major exception to those provisions is for public-sector employees, such as fire and police employees and a limited number of other workers (Willing, 2000). According to the Employment Act of Ethiopia (2007), the law specifies normal number of working

hours varied by industries. If an employee works in excess of normal hours per week as specified, the additional hours are treated as overtime. Therefore employees can be asked to work a reasonable amount of overtime to complete a job. However, union 18 contracts often restrict the authority of employers regarding overtime. Also in some profession such as nursing an employee may be required to work overtime to save life.

#### **2.2.4. Annual Leave**

Annual leave is a period of time off work that an employee is entitled to after every 12 consecutive months of service with an employer. Under section 28 of the Employment Act of Kenya, annual leave is 21 working days during which the employee is entitled to full pay. Also the Regulation of Wages Order (of various industries), subsidiary to the Regulations of Wages and Conditions of Employment Act, specifies that an employee proceeding on annual leave is entitled to payment by his employer. The order specifies various amounts to different industries, though it has been altered and increased with time depending on various industries and factors. According to the COR (2006), leave is granted for recuperative purposes to enable an officer renew his energies and improve efficiency. Leave is taken without loss of seniority or benefits but is subject to exigencies of service. In addition to normal full pay, an officer who takes a minimum of one-half of his annual leave entitlement will be eligible for leave allowance once a year, the rate of which is determined by the Government from time to time. Officers stationed in any designated hardship area may proceed on leave twice a year and is eligible for payments of leave allowance twice per year. Shellengarger (2001), states that employers give employees paid time off in a variety of circumstances. Paid lunch breaks and rest periods, holidays and vacations are common. But leaves are given for a number of other purposes as well. Time-off benefits represent an estimated 5% to 19 13% of total compensation. Typical time-off benefits include holiday pay, vacation pay and leaves of absence.

### **2.2.5. Maternity Leave**

Section 29 of Employment Act, (2007) provides that a female employee shall be entitled to maternity leave on full pay if she gives not less than seven days written notice in advance, or a shorter period as may be reasonable in the circumstances, of her intention to proceed on maternity leave. A female employee is entitled to three months maternity leave in addition to any period of annual leave she is entitled to, and sick leave if she happens to fall sick during her time of confinement and with the consent of the employer. A female worker on maternity leave is also entitled to be paid her full remuneration and other benefits to which she is otherwise entitled. This is the same for the two weeks paternity leave. Many employers provide maternity and paternity benefits to employees who give birth to children. In comparison to those giving birth, a relatively small number of employees adopt children, but in the interest of fairness a growing number of organizations provide benefits for employees who also adopt children (Woodward, 2000). Also, as people get older, the benefits of a compensation package assume importance. It is the time when employees establish a family. Those benefits that will serve the family are valued, like maternity benefits, children's education, annual vacation pay and the like(Andrews, 2009).

### **2.2.6. Educational and House Allowances**

Employers have found that educational and tuition aid assistance benefits are highly desired by employees. These programs have been found to aid employee retention and recruitment. The program normally covers some or all costs associated with formal education courses and degree programs, including the costs of books and laboratory materials (Mathis, 2003). An organization can also reduce unwanted employee turnover and related recruiting, hiring, and training costs by shifting these costs from developing new employees to keeping experienced employees. You can motivate an employee to increase productivity by providing opportunities for career development (training or schooling). At the same time you have improved the worker's skills and shown recognition of the worker's value and aspiration. A tailored benefit can be worth as much to an employee as a pay raise. Such a benefit is practical because it probably costs no

more than worker unrest and diminished productivity and it is probably less costly than a comparable pay increase (Harris, 2000). Company housing or house rent allowance is offered by organizations who feel obliged to help an individual meet one of the basic needs a roof over one's head and to enable them have access to reasonable accommodation while on official duty. Senior employees are provided with accommodation which may be owned by the organization. However, other organizations reimburse rent payments (Andrews, 2009).

#### **2.2.7. Health Protection Benefits**

Baase (2009) states that evidence clearly shows that the health of the workforce is inextricably linked to the productivity of the workforce and the health of the nation's economy. It also shows that employers increasingly recognize this link and are interested in improving worker health by expanding workforce health protection and health promotion benefit programs. Also many employers allow employees to miss a limited number of days because of illness without losing pay. Some employers allow employees to accumulate unused sick leave, which may be used in case of catastrophic illnesses. Others pay employees for unused sick leave. Some organizations have shifted emphasis to reward people who do not use sick leave by giving them well-pay – extra pay for not taking sick leave (Mathis, 2003). Research also shows a much greater connection between employee health and productivity in the workplace than was ever realized in the past. For example, studies have shown that on average for every one dollar spent on worker medical/pharmacy costs, employers absorb two to three dollars of health-related productivity costs (Loeppke, 2009). These costs are manifested largely in the form of presenteeism (a condition in which employees are on the job but not fully productive), absence, and disability. Compounding these issues for employers is the impact of safety issues and health-related environmental-hazard costs. Statistics show that work-related accidents and injuries exert an enormous toll on employers. Accidents, overexertion, or injuries caused by excessive lifting, carrying, or pushing, adds significantly to employer costs with an annual impact in the billions of dollars. It has been estimated that on-the-job injuries has cost organizations billions of dollars annually. Included in this figure are

wage and productivity losses, medical costs and administrative costs. In addition to these safety- and hazard-related injury costs, the effort of administering to the needs of injured workers is also extremely costly (Wright et al, 2002). The national pipeline of healthy, productive workers faces significant health-related challenges. Moreover, the cost of responding to this workplace health and safety issues has the potential to undermine and organizations competitiveness in the global marketplace. More than ever before, the nation needs to take steps to ensure the optimal health of its workforce. It is therefore the responsibility of every employer to ensure the safety, health and welfare of all employees at work working in his/her workplace. The Occupational Safety and Health Act, No. 15 of 2007 and revised in 2010, provides for the safety, health and welfare of workers and all persons lawfully present at workplaces. Section 101 of the Occupational Safety and Health Act, requires that in workplaces where employees are exposed to wet or to any injurious or offensive substances, the employers must provide and maintain clothing and appliances that are adequate, effective and suitably protective, including, where necessary, suitable gloves, footwear, goggles and head coverings. The Work Injury Benefits Act, No. 15 of 2007, provides for compensation to employees for work related injuries and diseases contracted in the course of their employment and for connected purposes. Under the right to compensation (Part III) of Work Injury Benefits Act, an employee who is involved in an accident resulting in the employees disablement subject to the provisions of this Act, is entitled to the benefits provided for 23 under this Act. The liability falls squarely on the employer. To deal with such liabilities an employer is obligated to obtain and maintain an insurance policy, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees (section 7). According to Collins et al (2005), research has shown that common chronic conditions, such as cancer, heart disease, and diabetes, are driving up total health-related costs in the workplace. Other health conditions among workers ranging from musculoskeletal/pain and depression are adding to those costs. In addition to a steadily rising medical and pharmaceutical cost burden, employers are now also seeing evidence of significant productivity cost impacts related to poor health. The workers compensation system requires employers to give cash benefits, medical care, and rehabilitation services to employees for injuries or illnesses occurring within the scope of

their employment (Atkinson, 2009). In exchange employees give up the right of legal actions and awards. However, it is in the interests of both employers and employees to reduce workers' comp costs through safety and health programs (Pikiell, 2000). Medical privileges are intended to assist an officer and his family in maintaining good health since a healthy employee is an asset to the Government. The Government has incorporated outpatient medical benefits into personal emoluments thereby making a public servant responsible for his own medical requirement (COR, 2006). Employee health problems are varied – and somewhat inevitable. They can range from minor illnesses such as colds to serious illnesses related to the jobs performed. Some employees have emotional health problems; others have alcohol or drug problems. Some problems are chronic; others are transitory. But all may affect organizational operations and individual employee productivity (Mathis & John, 2003).

#### **2.2.8. Retirement Benefits**

Retirement plans in addition to serving as a tax-advantaged means of accumulating retirement income, can enhance productivity. Pensions strongly influence workers' behavior, giving younger workers a compelling reason to continue working for their employer and encouraging older workers to retire on a timely basis. Empirical evidence indicates that pensions influence the type of worker a firm attracts and can help an employer attract workers who exhibit desirable behavior patterns. While the productivity effects have been associated mostly with defined benefit plans, recent research has shown that 401(k) plans exhibit similar effects in shaping workers' behavior (Ippolito, 1997). In America, by the end of the 20th century, retirement was a fully institutionalized life stage for most of its workers. Retirement became an earned benefit in reward for years of service to a particular organization, to an industry, or, more generally, to the productive society. Most importantly, in this transition, older workers in the final decades of the 20th century were exposed to models of retirement that offered leisure, freedom, and flexibility for the "final years" of life. While some of these models were structured around a primary component of leisure or recreation, perhaps the majority incorporated significant themes of productive engagement (Neil, 2000).<sup>25</sup> Among the issues in the

retention of older workers, it seems most important to first counter organizations' stereotypical notion that older workers are too costly and less productive than younger workers. Even when such skewed notions have been well countered with research evidence supporting the advantages to retaining older workers (Feinsod, 2006), there remain the challenges of how best to effectively retain/employ, manage, and enhance the productivity of an aging workforce. A study by the Tripartite Alliance for Fair Employment Practices (TAFEP) on generational issues in the Singapore workplaces has shown that a multi-generational workforce has many potential advantages and opportunities both for the individual and for the organization when effectively managed (TAFEP, 2010). When agreeing to retain/employ older workers, employers should be open to the needs of older workers, which may involve improvement in management systems to meet workplace needs and may include the re-packaging of benefits and rewards to include flexible work arrangements, target hiring to focus on skills rather than age, phased retirement to allow for gradual exit from the workforce with re-employment, and the expansion of HR roles to include counseling of older workers to motivate them in continued employment. According to Perrin. (2005), leading organizations, need to understand the current, and future, workforce composition and offer the right package of rewards and other programs to attract, retain and engage the people an organization needs. The opportunity also exists to align employee and customer demographics and to become a chosen employer for the multiple generations represented in today's workforce. However, whether any organization will be successful in retaining its baby boomer talent will depend on offering 26 rewards that effectively meet the needs of older workers. Research shows these include competitive health-care and retirement benefits as well as important intangibles like workschedule and work-location flexibility and respect for employee contributions. Health-care and retirement benefits top the list of what 50-and-older workers at large companies look for in deciding whether to stay with an organization, although intangibles like work-life balance, the opportunity to work with high-caliber colleagues and on-the-job recognition also play significant roles. Auer and Fortuny (2000), state that while retirement policies constitute a "push" factor for non-employment of old-aged workers, pension systems and policies are a "pull" factor. It is well observed, especially in advanced European welfare countries that more generous

pension benefits tend to pull old-aged workers out of employment even before normal retirement age but the availability of retirement funds to older workers contributes to the “pull factor” of retirement. A pessimistic view by Borsch-Supan (2003), an aging workforce driven by low fertility and longer life expectancy has negative effects on economic growth through a set of interrelated mechanisms: decreasing labor input due to low population growth and aging; decreasing rates of savings and capital accumulation due to increasing dependency ratios and the social cost of long-term care; decreasing investment in the human capital of the young generation due to increasing social welfare costs; lower level of innovation and renovation and/or dynamics. But on the other hand, Scarth (2002), for example, asserts that that an aging workforce could lead to productivity growth by motivating “increased” investment in human capital as labor becomes a relatively scarce production factor. 27 The Pensions Act, Cap 189 Rev. 2009, provides for the grant and regulating of pensions, gratuities and other allowances in respect of the public service officers under the Government of Kenya. The benefits of social security schemes include age benefits, survivor’s benefit, invalidity benefit, withdrawal benefit, emigration grant, and such other benefits as may be prescribed by the Minister. The Pensions Act, provides for payment of pension benefits to dependents upon death of the employee in service or on retirement, on condition that the employee has been in productive employment for ten or more years.

#### **2.2.9. Personnel Recognition Benefits**

Employee welfare has been defined by Mishra & Bhagat (2007) as a state of well-being, health, happiness, prosperity and the development of human resources which involves both the social and economic aspects. The social concept of welfare refers to the welfare of the average worker, his family and his community at large while the economic aspect of the welfare package covers promotion of economic development by increasing production and productivity. If an employee enjoys his time off, gets rest, eats well and takes care of himself, he will have more energy to devote to the job. A happy home life usually translates into a happy work life, and problems at the home front usually clock in when the worker does. While employee compensation affects productivity, some factors

may boost output without costing the company anything. Pay is a part of it, but an employee needs to feel validated if he is to be productive. She needs to feel her work is worth something, and she needs to believe she is justly compensated. While good wages and benefits help, validation doesn't even have to be monetary. A simple 'thanks' can go a long way in making a worker feel valued. Related to validation, an employee will be more productive when he can see where he fits in the big picture. He doesn't want to just be a cog in the machine. He needs to have a handle on the whole operation, which may be a plus because he may show he can do more than his job. He needs to know the supervisor will listen to his suggestions and ideas (Lake, 2000). Employee recognition as a form of reward can be both tangible and intangible. Tangible recognition comes in many forms, such as "employee of the month", perfect attendance, or other special awards. Recognition can also be intangible and psychological in nature. Feedback from managers and supervisors that acknowledges extra effort and performance of individuals provides recognition, even though monetary rewards are not given. Both tangible and intangible recognition can be used as part of employee retention efforts and managers have been trained to make special effort to recognize employee performance and service (Gostick, 2000). According to Allis (2008), compensation costs - salaries, wages, and benefits - are a large and increasing part of operating expenses; yet, productivity can decline among workers who get more pay and benefits. Workers are productive with fair pay tied to performance. Ironically, not all employee motivation and productivity problems are solved by pay raises and promotions. It isn't necessary to make pay adjustments beyond a fair industry-wide (market place) level. The tailoring of benefits to satisfy specific needs is part of the quality of work life technique. It is a way to maximize the amount of labor costs going to the employee and to maximize your return on these costs without increasing across-the-board expenses. By making a special effort to satisfy individual employee needs, you reinforce the motivational value of the flexible benefit. In a survey of individuals of a variety of ages and working in a variety of industries, the most positively cited factor about going to work was the relationship with co-workers. Coupled with co-worker relationships is having supportive supervisory and management relationships. A supervisor builds positive relationships and aids retention by being fair and nondiscriminatory, allowing work flexibility and work/family balancing, giving

employee feedback that recognizes employee efforts and performance and supporting career planning and development for employees Bernthal, (2001). Abbasi (2000) continue to state that workers do pay attention to their co-workers, and discontent can spread rapidly among an organization if some employees are negative or don't do their fair share. On the other hand, an enthusiastic work crew that helps one another out can make even a seemingly dead-end job pleasurable. If the work crew has minimal turnover, this lets the worker know his job probably won't disappear overnight. The employee will also be more productive when she knows the job is doable with the tools the company gives her. This may mean office equipment that doesn't conk out during heavy periods, machinery that works well and procedures that are streamlined enough to get the job done without a lot of wasted effort. A growing number of organizations offer awards to employees for extended service, work-related achievements and suggestions for improving organizational effectiveness. Awards are often in the form of gifts and travel rather than cash. Suggestion systems offer incentives to employees who submit ideas that result in greater efficiency or profitability for the company (Bernardin, 2007).

#### **2.2.10. Effect of below market loan on job performance**

In general below market loan gives the ultimate advantage on getting advantage on the provision of loan with discounted interest rate . In general, financial incentives can provide a short-term boost to motivation and performance, but their impact may be limited over time. Some employees may feel demotivated if they perceive that their performance is not being fairly compensated, or if they feel that their contribution to the company is not being recognized.

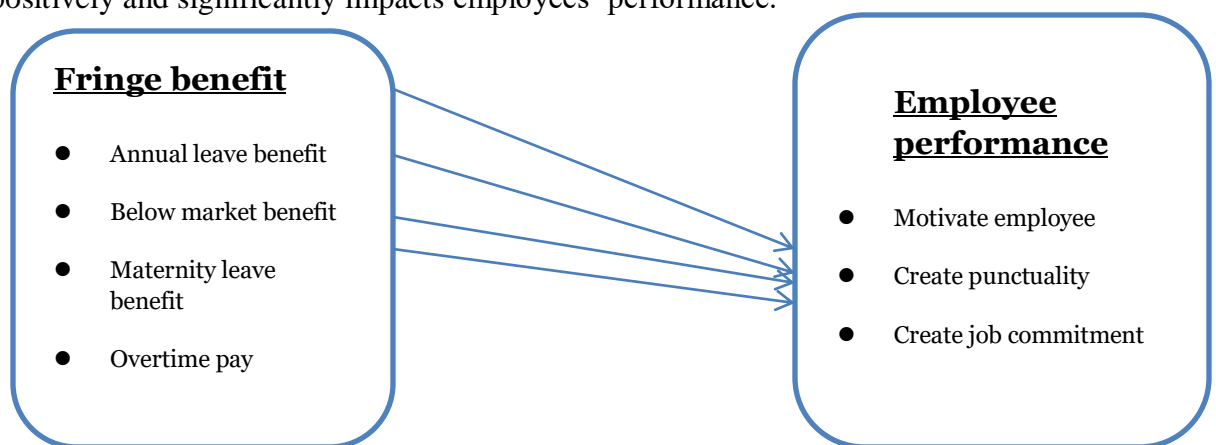
#### **2.2.11. Summary and Gaps**

Research gaps to be filled by the study from the above literature review it is clear that fringe benefits represent a double edged sword. On one side, employers know that in order to attract, retain and motivate employees with the necessary capabilities and in order to enhance their productivity they must offer appropriate benefits. On the other side, they know the importance of controlling or even cutting costs. Benefits comprise a significant part of the total compensation package offered to employees. Total compensation includes money paid directly (such as wages and salaries) and money paid

indirectly (such as benefits). But, given the absence of empirical evidence on the relationship between employee benefits and performance, and the escalating cost of benefits, it is clear that there is a research gap and that further research needs to be carried out, in order to ascertain this relationship.

### 2.3. Conceptual framework

According to Kothari (2008), conceptual frameworks are structured from a set of broad ideas and theories that help a researcher properly identify the problem they are looking at, frame their questions, and find suitable literature. According to Mugenda & Mugenda (2003), cited in Sawega (2014), a conceptual framework is a diagrammatical representation of the hypothesized relationship between different variables of the study. The conceptual framework presented in figure 2.1 further below shows the relationship between fringe benefits and employees performance. the employees' is determined by many factors, including the annual leave benefit, below market benefit, maternity leave benefit and overtime pay. Therefore, addressing fringe benefits gaps through optimum use of available resources and technologies leads to employees' productivity. These factors help to improve the productivity and efficiency employees, increase revenues by increasing productivity, and meet the organizations' objectives (Smith and Mayston, 1987). In this study, therefore, it is hypothesized that improving employees' fringe benefits positively and significantly impacts employees' performance.



**Figure 2.1-conceptual framework**

**sources: Adopted from related Literature with modification for this study.**

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This part describes the research methods and procedures in the whole process of data collection. It also shows the techniques used and the reasons for using them. In particular, this chapter consists of the research design and approach, population of the study, unit of analysis, data source and type, method of data collection and analysis and model specification used in this particular study.

#### **3.1. Research Design and Approach**

Research design constitutes the blueprint for the collection, measurement, and analysis of data. This study used explanatory research designs. Both quantitative and qualitative approaches were used. The purpose of using exploratory research used to investigate a problem which is not clearly defined. It is conducted to have a better understanding of the existing research problem, but not provide conclusive results. For such research, a researcher starts with a general idea and uses this research as a medium to identify issues, that can be the focus for future research. It also helps to collect detailed and information that describe an existing phenomenon. Secondly, an explanatory method was selected since it seeks to determine the relationship between fringe benefits factor group with employees performance, and how fringe benefits affects employees performance. A quantitative approach was used because it is relatively economical, easier to render and quicker for respondents to answer. The other reason is that the data gathered can be numerically measured using statistical tools, resulting in sharp, clear findings. The study has also used an unstructured interview to get data from senior management officials, cash supervisors; and customer's service officials.

Qualitative approach also used in this particular research. Qualitative approach usually emphasizes words rather than quantification in the collection analysis of data (Bryman and Bell, 2011). It predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories; has rejected the practices and norms of the natural scientific model and

positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world; and embodies a view of social reality as a constantly shifting emergent property of individuals' creation. Mixed methods approach is the type of research approach in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration (Burke et al., 2007). To this end the mixed research approach is chosen to obtain information on the effect of fringe benefits on employees' performance: empirical evidence from the bank particularly from senior management officials, cash supervisors; customer's service officials, and supporting staffs employees with different designation and experience level for triangulation, complementarily, and expansion reasons. Triangulation involves reviewing and analyzing evidence from multiple sources such that a study's findings are based on the convergence of that information.

### **3.2. Unit of Analysis**

The unit of analysis is the major entity that is being analyzed in a study. It is the 'what' or 'who' that is being studied. In terms of unit of analysis, this research focuses on employees of Abyssinia bank three departments (senior management officials, cash supervisors; customer's service officials, and supporting staffs employees with different designation and experience level), who are responsible for tasks related to fringe benefits and employee performance.

### **3.3. Target Population**

The target population of this study is employees working at Abyssinia bank Share company who are responsible for tasks related to fringe benefits and employee performance were the study's target populations. The study was conducted on all employees working in the banks including senior management officials, cash supervisors, customer's service officials, and supporting staffs employees with different designation and experience level make up the total population. The Total population consists of 323

employees. It expected that all employees have ample experience and level of education implying that the respondents have enough knowledge about the company and issues relating to the fringe benefits of the bank and employee performance. Abyssinia bank – central district is selected purposely due to its convenient for data collection and analysis.

### **3.4. Sampling Techniques and Sample Size**

Sample size is the sample size is a term used in market research for defining the number of subjects included in a sample size. By sample size, we understand a group of subjects that are selected from the general population and are considered a representative of the real population for that specific study. According to the bank’s human resources record, there are 323 employees at bank in central district . These central district of Abyssinia bank is selected purposely as it is convenient and the majority of employee of the bank are found within the central district. To determine the minimum sample size for employees, we use the Yemane’s (1967) formula; which stated as:

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

Where: n is sample size, N is the population size and e is the margin of error. A level of confidence of 95% and a margin of error (e) of 0.05 were used in determining a minimum sample size. Substituting those values in Equation (1), the number employees to be included in the study were found to be 85.

### **3.5. Data Source and Type**

Both primary and secondary data sources were used in this research. According to Leed & Ormrod (2005) data is said to be primary if it is collected first hand by researcher for a determined purpose. The primary data was collected by use of questionnaires that was administered to 85 employees who expected to possess the requisite knowledge of the subject matter. According to Saunders et al., (2007) secondary data are data that originally collected for some other purpose. The secondary data was obtained from up-to-

date information from articles, websites, publications, books and presentations among others. These secondary sources did help the researcher to identify how others have defined and measured key concepts; how this research works is related to the work of others. It also helps the researcher to interpret, analyse and draw conclusions about events described in primary sources

### **3.6. Method of Data Collection**

Before embarking on the data collection, the researcher made preliminary contacts with the respondents to explain the rationale for the exercise. The respondents were informed the exercise is for academic purposes and confidentially assured and no one will fall a victim because of any adverse findings in connection with their professional duties. This is done in order to motivate them to give their responses without reservation. Proper data for the study were collected via the use of data collection instruments such as questionnaire and interviews guide.

### **3.7. Data Collection Instruments**

According to Ahmed (2014), questionnaire is a powerful evaluation tool in behavioural sciences. If well designed, it can be a very reliable and veritable tool. The questionnaire forms will be structured to facilitate easy and short answering of questions by the respondents and respondents were given enough time to give their feedback. Employees of the bank were approached for their views on the effect of motivation their performance by using semi-structured questionnaire. The open-ended section of the questionnaire served to explore any additional factors that they thought were important, but not included in the questionnaire. Besides that, the respondents were also asked to highlight their recommendations and comments on factors that that motivates their work performance through an open-ended question.

### **3.8. Validity and Reliability of the Research Instruments**

The questionnaire was subjected to a validity and reliability test. Reliability and validity are tools of an essentially positivist epistemology (Watling, as cited in Winter, 2000). The

relevant literature indicates divergence in the definitions of reliability and validity on the grounds that reliability tests show whether the result is replicable while validity tests show how accurate the means of measurement is and whether they are actually measuring what they are intended to measure. A validity test shows the extent to which a measure or a set of measures correctly represents the concept of the study (Buttle, 1995). Golafshani (2003) points out that validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research Instrument allow you to hit "the bull's eye" of your research object? The data collected was subjected to a reliability test. Field (2005) interprets a Cronbach's  $\alpha$  greater than or equal to 0.7 as implying the instrument provides a relatively good measurement tool hence reliable. In this research the most popular test of interterm consistency reliability that is the Cronbach's coefficient alpha was used as part of the reliability test to assess how valid the results were and should produce similar generalized results if the sample size were increase. The Alpha value ranges from a maximum of 1.0 for a perfect score to minimum of zero. According to William and Barry (2010) scales exhibiting a coefficient alpha between 0.80 and 0.96 are considered to have very good reliability, between 0.70 and 0.80 are considered to have good reliability, and alpha value between 0.60 and 0.70 indicates fair reliability and when the coefficient alpha is below 0.60, the scale has poor reliability. Two validity tests were assessed; face validity test and internal construct validity. Keeping in mind that respondents have ample knowledge about the subject matter under consideration, questionnaire was developed based on past model and literature review to ensure the validity of the result. A pilot survey was conducted to test the face validity of the study instrument. To this end, first draft questionnaire will be administered to 15 employees and they were asked to make any comments on questions or terms which were unclear or ambiguous. Then the questionnaire was adjusted and administered to research advisor and an expert in research to ascertain the items suitability in obtaining the required information as per the objective of the study. This process was assisted in eliminating any potential problems of the research instrument. Their feedback used to remove vague questions, double barrelled questions and to improve the research instrument that was then adopted in the survey. Finally, a pre-tested translated questionnaire were available to make sure that respondents who use local

language are involved without any problem. The data was collected in a short period of time to guarantee of no big change happened on the related topic under close supervision of researcher.

### **3.9. Method and Data Analysis**

Upon completion of the data collection exercise, all completed research instruments were assembled, coded, summarized, entered into the computer and analysed using the Statistical Package for Social Science (SPSS version 27) and STATA 16. As part of its aim, this study analyses the effects employee's fringe benefits on employee performance. To achieve this aim descriptive and inferential statistical techniques were used. Descriptive statistics such as frequency, percentage, figures and tabulations were used to analyse the data. The analysis of data is followed by descriptive interpretation of findings. Additionally, the data which has been collected through the key informant interview is summarized and presented with descriptive report. Inferential statistical analysis such as correlation and multiple linear regression analysis were also used to determine the relationship between the independent variable and dependent variable.

### **3.10. Operationalization of Variables**

As per conceptual framework in figure 2.1 above, the factors influencing employee performance can be considered as the independent variables while employee performance as the dependent invariable. In general it is assumed that the independent variables influence the dependent variable which is employee performance. The assumption is that when there is better fringe benefits( the annual leave benefit, below market benefit, maternity leave benefit and overtime pay), there will be better employee performance.

### **3.11. Independent Variables (factors project success)**

The dependent variable in study is employees performance while the independent variables include the annual leave benefit, below market benefit, maternity leave benefit and overtime pay. For brief explanation each independent variable is given in section 2.3.

### 3.12. Model Specification

Multiple Regression analysis is a statistical approach used to estimate the relationship between one or more independent variables and a single dependent variable. To determine significant factors from possible explanatory variables, a Multiple Linear Regression (MLR) analysis was adopted in this study. The variables were regressed using a MLR model and all coefficients were interpreted. The MLR model for this specific research is given by:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where: Y = Dependent Variable (employee performance);  $X_1$  = annual leave benefit;  $X_2$  = below market benefit;  $X_3$  = maternity leave benefit;  $X_4$  = overtime pay; In the model,  $\beta_0$  = Constant,  $\beta_1$  to  $\beta_4$  = Regression coefficients represent the mean change in the dependent variable for one unit of change in the independent variable while holding other independent variables in the model constant and  $\epsilon$  = Error term which captures the unexplained variation in the model.

For Multiple linear regression model to valid the following assumptions should be fulfilled

- The dependent variables is continuous
- There is no significant outlier in the data series
- The relationship between dependent variable and independent variable are linear both for each independent variable and globally.
- The residual variable is approximately normally distributed
- The independent variables are not strongly correlated with one another (we don't have important multicollinearity)
- There is the independence of errors (there is no relationship between the independent variables and the residual variables)

### **3.13. Ethical consideration**

Ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work, or are affected by it. Research ethics matter for scientific integrity, human rights and dignity, and collaboration between science and society. These principles make sure that participation in studies is voluntary, informed, and safe for research subjects. Therefore it relates to questions about how we formulate and clarify our research topic, design our research and gain access, collect data, process and store our data, analyze data and write up our research findings in a moral and responsible way (Mark Saundes, 2007) . In planning a research work involving human participants, it is important to consider the ethical guidelines designed to protect the participants (Creswell, 1994). Hence, during the data collection, the researcher requested an official letter from the college to obtain important information from Abysinia bank's employees, and the researcher assures the bank that the data shall be used only for academic purposes. In order to secure the participants' consent, the researcher described all important details of the study, including its aim and purpose, methods and uses of the research. Respondents were assured that the information they give will not be used for any other purpose except academic work.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS, AND DISSCUSSION**

This chapter presents a detailed analysis of data collected from a field survey via the administration of the questionnaire. It aims to present the findings from the data collected in align with the research objectives, questions, and hypothesis. The collected data were classified, organized and analyzed using MS-Excel and SPSS software 27 version and STATA 16.

#### **4.1. Response Rate**

A total of 85 questionnaires were distributed to employees of Abyssinia bank , out of which 76 questionnaires were returned resulting in 89.41percent response rate which was considered adequate. Following the data editing process, 70 questionnaires were found usable. The final sample size adopted in this study was therefore 70 respondents. Similar studies in literature that stated that response rate 50% is adequate, 60% response rate is good and 70% rate or higher is very good (Crimp and Wright, 1995). This meant that the sample set satisfied the criterion validity requirements. Therefore, the analysis is done on the 89.41% of response rate is considering sufficient to conduct the study.

#### **4.2. Internal Consistency of Study Variables**

The study sought to establish the internal consistency of the key variables in the study. This was achieved by subjecting the five key variables to a reliability test as shown in Table 4.1 A scale test of the five variables yielded an overall Cronbach alpha coefficient = 0.812 which was considered very reliable in providing consistent results overtime. George and Mallery (2003) provided the following rule of thumb:  $\alpha$  greater than 0.9 as excellent,  $\alpha$  greater than 0.8 as good,  $\alpha$  greater than 0.7 as acceptable,  $\alpha$  greater than 0.6 as questionable,  $\alpha$  greater than 0.5 as poor, and  $\alpha$  less than 0.5 = unacceptable. The closer Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale. As a result, the reliability of the instrument was found to be 0.812, which is in the good range. As indicated in table 4.1, the overall Cronbach's alpha and value

Cronbach's for each variable greater than 0.7, which means all items are reliable and data has internal consistency and therefore be successfully replicated using a similar methodology.

**Table 4.1:** Reliability test Statistics

<b>Variable</b>	<b>Cronbach's Alpha</b>
Annual Leave	0.782
Below Market Loan	0.810
Maternity Leave	0.753
Overtime Payment	0.793
Overall	0.812

**Source-own survey result(2023)**

#### **4.1.Demographic Profile of Respondents**

This section lists the respondents' gender, age group, educational attainment, occupation, and work experience at Abyssinia Bank.

Regarding the gender of the respondents, table 4.1 shows that out of 70 respondents, 32 (or 45.7%) were men and 38 (or 54.3%) were women. This suggests that there are more Female respondents to this survey than male responders .

In terms of respondents' ages, 26 (37.1%) are under 25, 37 (52.9%), are between the ages of 26 and 40, and 7 (10%) are between the ages of 41 and 60. This shows that the majorities of the groups are between the ages of 26 and 40, are of working age, and are aware of the need to respond truthfully to survey questions .

Regarding respondents' professional qualifications, 4 (5.7%) of the total participants have a diploma, 47 (67.1%) of the total participants have a first degree and 19 (27.1%) have master's degrees. This demonstrates that the majority of responders who work at Abyssinia Bank S.C have first-degree credentials and suggests that the majority of respondents had a first-degree and were qualified to answer questions .

In terms of the level of management, lower-level management accounts the highest by having 40employees (57.1%), and the remaining amount 25 (35.7%), and 5 (7.1%) account for middle and top management respectively.

Regarding respondent's years of employment with the company, 45.7% of respondents had worked for the company for less than five years, 28.6% for between 5-10 years, 10.0% for between 10-15 years, 10.0% for 15-20 years and 5.7% for more than 20years. This suggests that the responders who were subordinates had enough knowledge about the study to provide information .

**Table 4.2: Summary of Respondents' Profile.**

<b>Variables</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	32	45.70%
	Female	38	54.30%
<b>Age</b>	Under 25 Years	26	37.10%
	26-40 Years	37	52.90%
	41-60 Years	7	10.00%
	Above 60 Years	0	0.00%
<b>Professional qualification</b>	Below 10 grades	0	0.00%
	Certificate	0	0.00%
	Diploma	4	5.70%
	Degree	47	67.10%
	Master's Degree and above	19	27.10%
<b>Level of Management</b>	Top management	5	7.10%
	Middle Management	25	35.70%
	Lower-Level Management	40	57.10%
<b>Year of work at Abyssinia Bank S.C</b>	Less than 5 Years	32	45.70%
	5-10 Years	20	28.60%
	10-15 Years	7	10.00%
	15-20 Years	7	10.00%
	More than 20 Years	4	5.70%

### 4.3. Descriptive Statistics of independent and dependent Variable

#### 4.3.1. Annual leave and Performance Status

In this study, descriptive statistics were used as a way to examine the mean and standard deviation of the sample respondents of Abyssinia Bank S.C. that are relevant to the raw data. According to the table 4.3, which provides a descriptive analysis of the statement of the annual leave that impacts employee performance of the organization, the statement that believes the annual leave that is being permitted to you at work is sufficient has a mean score of 1.82836 and a standard deviation of 0.70137. The availability of yearly leave at your workplace is correlated with your performance by mean score of 0.66641 and standard deviation of 2.0714, according to the following claim. Therefore, the vast majority of respondents agree with all of the statements that measure yearly leave.

#### 4.3. Descriptive Statistics of Annual Leave

Variables	Yes	No	Mean	Std. Deviation
Is annual leave provided to employees in your company	100.0%	0.0%	-	-
Do you believe that the annual leave that is being permitted to you in your workplace is enough	-	-	1.8286	0.70137
Does the annual leave accessibility in your company is related to your performance.	-	-	2.0714	0.66641

Source-own survey result(2023)

#### 4.3.2. Below market loan and Performance Status

According to the table 4.4, which provides a descriptive analysis of the statement of the below market loan that impacts employee performance of the organization, the statement that believes the below market loan that is being provided to the employee is fair enough has a mean score of 1.9429 and a standard deviation of 0.41304. The below market loan accessibility in your company is related to your performance by 1.6143 mean score and a standard deviation 0.64365, according to the following claim. Therefore, the vast majority of respondents agree with all of the statements that measure below market loan.

#### 4.4 .Descriptive Statistics of Below Market Loan

Variables	Yes	No	Mean	Std. Deviation
Is below market loan provided to employees in your company	100.0%	0.0%	-	-
Do you believe that the below market loan that is being provided to the employee is fair enough	-	-	1.9429	0.41304
Is the below market loan accessibility in your company is related to your performance	-	-	1.6143	0.64365

Source-own survey result(2023)

#### 4.3.3. Maternity leave and Performance Status

According to the table 4.5, which provides a descriptive analysis of the statement of the maternity leave that impacts employee performance in the organization, the statement that believes that the maternity leave package is implemented fairly as stated on the company employee policy has a mean score of 2.014 and a standard deviation of 0.466. Fairly implemented maternity leave policy has impact on employee performance around 2.257 mean score and 0.530 standard deviation, according to the following claim. Therefore, the vast majority of respondents agree with all of the statements that measure maternity leave.

**Table 4.5: Maternity Leave Measurement**

Variables	Yes	No	Mean	Std. Deviation
Is maternity leave provided to employees in your company	100.0%	0.0%	-	-
Do you believe that the maternity leave package is implemented fairly as stated on the company employee policy	-	-	2.014	0.466
Do you believe that fairly implemented maternity leave policy has impact on employee performance	-	-	2.257	0.530

**Source-own survey result(2023)**

#### 4.3.3. Overtime Payment and Performance Status

According to the above table 4.6 , which provides a descriptive analysis of the statement of the overtime payment that impacts employee performance of the organization, the statement that believe that overtime payment that the company provide is enough has a mean score of 1.89 and a standard deviation of 0.63. The fairly implemented overtime payment is correlated with your performance by 2.04 mean score and 0.60 standard deviation, according to the following claim. Therefore, the vast majority of respondents agree with all of the statements that measure overtime payment.

#### 4.6. Descriptive Statistics of Overtime Payment

Variables	Yes	No	Mean	Std. Deviation
Is overtime payment provided to employees in your company	0.0%	100.0%	-	-
Do you believe that overtime payment that the company provide is enough	-	-	1.89	0.63
Do you believe that fairly implemented overtime payment has significant change on employee performance	-	-	2.04	0.60

Source-own survey result(2023)

### **4.3. Correlation and Regression Analysis**

#### **4.3.1. Correlation Analysis**

The study sought to establish an understanding of the existence of a significant relationship between independent variables (annual leave benefit, below market benefit, maternity leave benefit and overtime pay)) and the dependent variable (employee performance). To achieve this, Pearson's correlation tests were carried out. The correlation results are presented in Table 4.7 and Pearson correlation coefficient ( $r$ ) used to determine the level of significance of the bivariate relationships between fringe benefits and employee performance. Coopers and Schindler (2003) posit that when the correlation coefficient ( $r$ ) =  $\pm 1.00$ , there is a perfect positive or negative correlation between the variables. When  $r = 0.01$  it shows a very weak relationship and  $r = 0.9$  indicates a very strong correlation between the variables. When  $r = 0$  it shows that there is no relationship between the variables. A correlation was considered significant when the probability value was equal to or below 0.05 (p-value less than or equal to 0.05). Uwalomwa, and Olamide, (2012) interpreted  $r = 0.4$  as a weak positive relationship. Table 4.7 displays several significant relationships between the fringe benefits factors group and employee performance.

There was a significant positive relationship between employee performance and annual leave ( $r = 0.64$ ,  $p = 0.00$ ) indicating that employee performance highly associated with annual leave factor group. There is also significant positive relationship between employee performance and below market loan, ( $r = 0.621$ ,  $p = 0.00$ ) indicating that employee performance highly associated with levels below market loan. In addition employee performance have strong significant positive relationship with maternity leave ( $r = 0.609$ ,  $P = 0.00 < 0.01$ ). Overtime payment had positive significant relationship employee performance at 1% level of significance ( $r = 0.59$ ,  $p = 0.00 < 0.01$ ). These findings show that the dependent

variable was significantly related to fringe benefits (below market loan, below market loan, maternity leave and overtime payment). This meant that the level of employee performance at Abyssinia bank share company was positively correlated to the employee performance.

**Table 4.7: correlations of employee performance and fringe benefits factors group**

		<b>Annual Leave</b>	<b>Below Market Loan</b>	<b>Maternity Leave</b>	<b>Overtime Payment</b>	<b>Employee Performance</b>
<b>Employee Performance</b>	Pearson Correlation	0.64	0.621	0.609	0.59	1
	Sig. (2-tailed)	<b>0.003</b>	<b>0.00</b>	<b>0.00</b>	<b>0.003</b>	
	N	70	70	70	70	70

Source-own survey result(2023)

### **4.3.2 Regression Analysis**

#### **4.3.2.1. Diagnostics tests**

Based on previous models, literature reviews and experts' opinion in research we identified 36 organization's asset utilization factors and categorized them into four factors group. The combined data set was subjected to nine assumptions of multiple regression model including assessing the level of measurement, linearity, independence, non-significant outliers, normality, homogeneity of variance, Multicollinearity, autocorrelation between two residuals and no error in model specification. Therefore, to determine the validity of the regression model, a residual analysis need to be performed (Field 2005). It is, therefore, necessary to examine the validity and reliability of all model-based inference procedures before the regression model is used to determine the impact of independent variables on the dependent variable. Accordingly, the following tests were conducted so as to ensure the appropriateness of data to assumptions regression analysis.

### **a) Continuity**

The first assumption of multiple regression analysis like other parametric test is that the dependent variables must be measured on an interval or ratio scale (Long, 1997). The instrument in Appendix 1 provides evidence that the variables under investigation were measured using an interval scale, hence were suitable for multiple regression analysis.

### **b) Linearity test**

Linearity defines the dependent variable as a linear function of the predictor (independent) variables (Darlington, 1968). Multiple regressions can accurately estimate the relationship between dependent and independent variables when the relationship is linear in nature (Osborne & Waters, 2002). Some researchers argue that this assumption is the most important, as it directly relates to the bias of the results of the whole analysis (Keith, 2006). If linearity is violated, all the estimates of the regression including regression coefficients, standard errors, and tests of statistical significance may be biased (Keith, 2006). If the relationship between the dependent and independent variables is not linear, the results of the regression analysis will under- or over- estimate the true relationship and increase the risk of errors (Osborne & Waters, 2002). For this purpose, use of theory method can be adopted, considering sufficient empirical evidences in the literature that link between organization's asset utilization factor group and project success. In addition, residual plots showing the standardized residuals versus the predicted values are very useful in detecting violations in linearity (Stevens, 2009). The linearity assumption can best be tested using quantile-quantile and percentile-percentile plot. Figure 4. 1 visually demonstrates linear relationships since there is a random scatter about the line implying that the relationship, we are attempting to predict is linear.

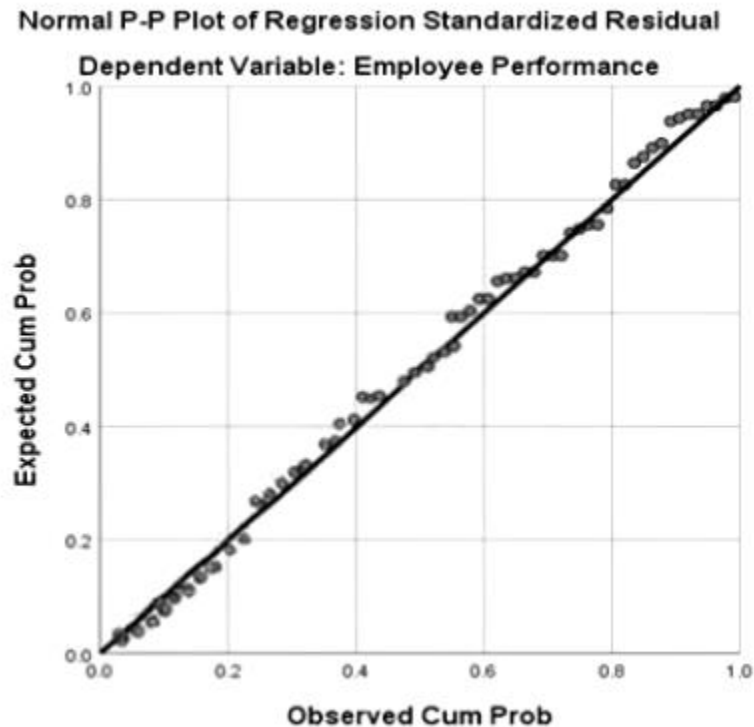


Figure 4.1: Q-Q plot of residuals

### C) Normality

According to the central limit theorem, if the sample size is 30 or more; the sampling distribution would tend to be normal irrespective of the population distribution (Field, 2009). Primarily, the large enough sample size (85) of respondents used in this study satisfies the requirement of normality. However, in order to examine the suitability of data for further analysis, graphical methods, such as histograms and normality plots and Jaqbra normality test can be conducted to test whether the current data follows normal distribution or not. Tabachnick & Fidell (2007) indicated that normality test need to be conducted prior to further interpretation of the regression analysis. To this end, Q-Q plot of the residual shown in figure 4.1 above suggested that the residual plots were almost close to the normal straight diagonal line, indicating that the residuals roughly followed a normal distribution. Moreover, the histogram plot of the residuals suggested that the

residuals roughly followed normal distribution (Fig 4.2). However, since visual inspection in most cases are subjective, and hence, it is important to conduct formal test. The Kolmogorov-Smirnova and Shapiro-Wilk test confirms that residuals were normally distributed ( $\chi^2(2) = 1.429$ ,  $P\text{-value} = 0.200 > 0.05$ ,  $P\text{-value} = 0.653$ ). Both graphical and formal tests showed no violation of this assumption and the study therefore proceeded with multiple regression analysis

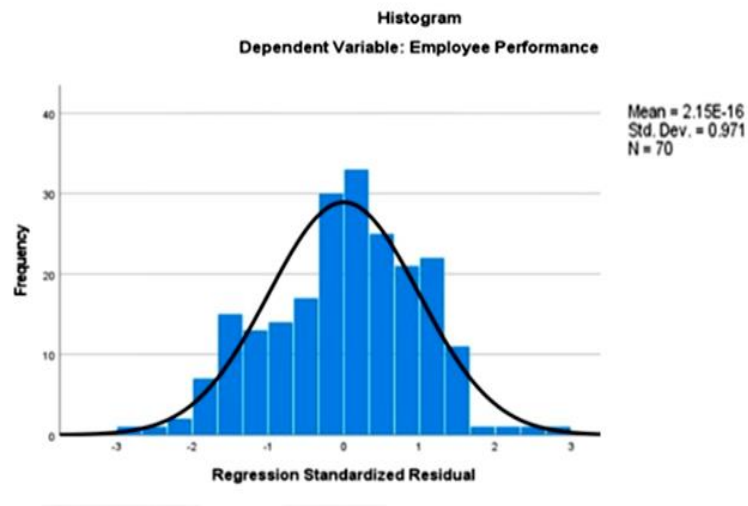


Figure 4.3: Histogram of residuals

**Table 4.8: Tests of Normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Studentized Residual	0.075	70	.200*	0.984	70	0.653

\* This is a lower bound of the true significance.

#### **d) Multicollinearity**

Multicollinearity refers to situation in which two or more explanatory variables in a multiple regression model are highly linearly related, meaning one can be linearly predicated from the others with a substantial degree of accuracy. While it is good to have a relationship between dependent and independent variables, it is not recommended to

have relationship between independent variables (Asthana & Bhushan, 2016). VIFs exceeding 10 are a sign of serious multicollinearity requiring correction and VIF results exceeding 4 needs further investigation for further multicollinearity (Asthana & Bhushan, 2016). The Multicollinearity tests in Table 4.9 above shows the variables with their respective Variance Inflation Factors (VIF) values ranging from 1.007 to 1.229 indicating that all the variables have VIF less than 10. Hence based on VIF results shown in table 4.10, the assumption of multicollinearity was not violated indicating that regressions results were assumed to be free from the problem of multicollinearity.

**Table 4.9: Multicollinearity Test Coefficient**

Variable	VIF	Tolerance
<b>Annual Leave</b>	1.007	0.993
<b>Below Market Loan</b>	1.229	0.814
<b>Maternity Leave</b>	1.096	0.912
<b>Overtime Payment</b>	1.007	0.993
<b>Mean VIF</b>	1.52	

**Source-own survey result(2023)**

**e) Autocorrelation test**

The Durbin-Watson, d-statistic  $(4, 149) = 1.948792$  is between the two critical values  $1.5 < d < 2.5$ , so we can conclude that our data does not have a linear first-order autocorrelation. However. This test has limitation in testing autocorrelation since it only considers the first order autocorrelation between residuals. Hence, to examine the autocorrelation problem with more robust and more general test we conducted the Breusch-Godfrey (BG)test. The BG test result indicated that there is no autocorrelation problem within data under consideration(  $P \text{ Prob} > \text{chi}^2 = 0.7956$ ).

**Table 4.10. Breusch-Godfrey test for autocorrelation**

lags(p)	chi2	df	Prob > chi2
1	10.851	1	0.7956

### **Source-own survey result(2023)**

#### **f) Heteroscedasticity**

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2002). This means that researchers assume that errors are spread out consistently between the variables (Keith, 2006). When the variance of errors differs at different values of the independent variables, heteroscedasticity is detected. According to Berry and Feldman (1985) and Tabachnick and Fidell (2007) slight heteroscedasticity has little effect on significance tests; however, when heteroscedasticity is marked, it can lead to serious distortion of findings and seriously weaken the analysis, thus, increasing the possibility of error. The homoscedasticity assumption can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2002). Specifically, statistical software scatterplots of residuals with independent variables are the method for examining this assumption (Keith, 2006). Ideally, residuals are randomly scattered around zero (the horizontal line) providing even distribution (Osborne & Waters, 2002). However, visual inspection is subjective, it is advisable to conduct formal test using Breusch-Pagan test of heteroskedasticity The Breusch-Pagan test( $\chi^2(1) = 0.06$ , Prob >  $\chi^2 = 0.8063$ ) fail to reject the null hypothesis that states constant variance implying that there is homoscedasticity - equal variance of errors across all levels of the independent variables which is an indication that the assumption of homoscedasticity for the variables under consideration has been met (Hair et al., 2010).

#### **g) Outlier test**

To check whether there were outliers that had undue influence on the results for the regression model, Cook's distance in the residuals statistics in Appendix 2, was interpreted. According to Tabachnick and Fidell (2007), cases with values larger than one are potential problem. The maximum value for Cook's distance was 0.103, suggesting no major problem; hence there were no outliers likely to influence the regression model.

#### h) Model specification test

In this study, Ramesy omitted variable test was conducted to test to examine whether our model correctly specified or not. The analysis output was indicated in table 4.10. As we can see from the table, our regression model is correctly specified (hatsq = -0.651, P = 0.047).

**Table 4.11: Ramesy omitted variable test**

APM	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
_hat	5.581	2.292	2.43	0.016	1.0	10.1
_hatsq	-0.651	0.325	-2	0.047	-1.3	0.0
_cons	-8.013	4.027	-1.99	0.049	-16.0	0.0

#### Source-own survey result(2023)

Therefore, based on tests carried out above, it can be safely concluded that there are no major data problems that would lead to a violation of the assumptions of classical multiple regressions. So, for further study, we can use our regression model.

### 4.10.2 Regression Analysis Results

#### a) Model summary

The model summary of fringe benefits factor group and employee performance was presented in table 4.12. As shown in table the coefficient of determination ( $R^2$ ) was found to be 0.59, which meant the fringe benefits factors group (annual leave, below market loan, maternity leave, overtime payment) explained 59.3 percent of the variations in project success and with 40.7 percent of the variations remaining unexplained.

**Table 4.12 multiple regressions**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.701	0.593	0.543	0.14352

**Source-own survey result(2023)**

**b) ANOVA Test**

The overall test (F-test) was shown in Table 4.12. The linear regression's F-test has the null hypothesis that there is no linear relationship between the dependent and independent variables (in other words  $R^2 = 0$ ). As indicated in Table 4.12, the overall F statistics value of the model (34.6) proved that the model is significant at 1% level of significance indicating there is strong relationship between independent and dependent variables, that is, fringe benefits factors jointly affect employees.

**Table 4.13: ANOVA Table**

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.425	6	0.713	34.6	0.000
	Residual	0.762	64	0.021		
	Total	2.188	70			

**Source-own survey result(2023)**

**c) Individual regression coefficient (Beta)**

Four fringe benefits factors group were entered into the regression equation, with employees performance as the dependent variable to test whether an individual effect of fringe benefits factors group is significant or not. Accordingly, the multiple linear regression coefficient estimates, including intercept and significance levels, are shown in Table 4.14. The results show that in the final regression model, all variables were statistically significant ( $P < 0.01$ ). The finding of the study shows fringe benefits factors group factors (annual leave, below market loan, maternity leave, overtime payment) positively affects the employee performance at Abyssinia bank which further indicate that null hypotheses stated from  $H_1$ - $H_4$  was accepted. Parameters must differ significantly from zero (Shumway et al., 010), and all significant parameters have to be included in the model. Having this reality in mind, our final regression model would be:

project success (Y) = 0.787 + 0.612\*Annual-leave + 0.653\* Below Market Loan + 0.621\* Maternity Leave + 0.519\* Overtime Payment.

**Table 4.14: Regression result of fringe benefits and employee performance**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.787	0.247		3.188	0.003
	Annual Leave	0.612	0.064	0.59	7.278	0.003
	Below Market Loan	0.653	0.072	0.805	8.278	0.000
	Maternity Leave	0.621	0.068	0.651	7.881	0.000
	Overtime Payment	0.519	0.056	0.501	6.225	0.003

**Source-own survey result(2023)**

The most dominant variable affecting the employee performance is below market loan factor group whose effect is significant and has the largest standardized  $\beta$  coefficient value (0.653). Based on table 4.14 , market loan factor group is a variable that has the most dominant effects on employee performance followed maternity leave and annual leave. A unit increase below market loan factor group would lead to a 0.653 increase in

The fitted regression model above shows a positive relationship between market loan, annual leave, maternity leave, and overtime pay and employee performance. Overall, this meant that the better fringe benefits package, the better employee performance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

This chapter covered summary, conclusions and recommendations of the study.

#### **5.1 Summary**

- Regarding demographic findings of respondents, the majority of the respondents are male, degree holders and had been in the organization for about 5 to 10 years. This indicates that the majority of bank's employees are more experienced and have an appropriate educational level implying the respondents are in the right position to understand the fringe benefits the bank offers and to answer the research questions administered by the researcher.
- The overall Cronbach's alpha value is greater than 0.7, which means all items are reliable and data has internal consistency and therefore be successfully replicated using a similar methodology.
- These findings correlation analysis show that the dependent variable (employee performance ) was significantly related to independent variables (annual leave , below-market loan, maternity leave and overtime payment) suggesting the level of employees; performance at the bank was positively correlated to employee performance.
- As a pretest requirement, the multiple regression model was checked to ascertain that the dependent variable was measured on a continuous scale, the independent variables were continuous or categorical, linearity, homoscedasticity, multicollinearity, no significant outliers and residuals approximately normally distributed. Based on tests carried there were no major data problems that would lead to a violation of these assumptions and hence the outputs obtained from regression model can be used to predict the relationship between dependent and independent variables.

- Regression analysis was also conducted to identify significant factors group among the fringe benefits factors group that affect the employee performance. The output from regression analysis showed that the fringe benefit factors group jointly affect the dependent variable (employee performance) implying that the better fringe benefits package, better the employee performance the bank has and the higher levels of employee performance and productivity the bank achieve from its employee.
- The fringe benefits factors group explained 69.3 percent of the variations in employee performance indicating that fringe benefits factors group had a significant influence on employee performance
- The results show that in the final regression model, all variables were statistically significant 1 percent level of significance.
- It was further established that among the independent variables below market loan factor group is the most dominant and significant factor group affecting employee performance followed by annual leave and maternity leave.

## **5.2. Conclusions**

- The general objective of the study was to assess fringe benefits effects on employee performance in the Abyssinia bank share company and from the research findings and analysis, it was found out that all the p-values for all the variables (overtime pay, maternity leave, below market loan, annual leave) were found to be less than 0.05, an indication that fringe benefits were statistically significant to influence employee performance as follows:
- The study established that if annual leave fringe benefit contributed to employee performance thus concluding that if annual leave fringe benefit have a positive effect on employee performance in the Abyssinia bank.
- The study also revealed that below market loan is inextricably linked to the performance of the workforce and the profitability of the bank, thus concluding that below market loan benefits had a positive effect on employee's performance.

- The study further established that maternity leave fringe benefits influenced workers' performance, giving the mother-workers a compelling reason to continue working for their employer and encouraging the female workers to work at their best, thus concluding that maternity leave fringe benefits positively affect employee performance.
- Finally the study established that, overtime pay fringe benefits has effect on employee performance. It can therefore be concluded that overtime pay fringe benefits has a positive influence on employee performance at the Abyssinia bank.

### **5.3 Recommendations**

The following suggestions are made in consideration of the study's results and conclusions:

- Based on the study findings, it is suggested that the bank administration should continue providing all kinds of fringe benefits to its employees and introduce some new forms of such benefits if required since the benefits positively affect employee performance.
- The bank is also recommended to make its employees aware of the fringe benefit programs that it offers because most of employees do not have accurate idea about their benefit programs they are entitled to enjoy.
- Moreover, since it has been proved that below market loan factor group has the most significant effect on employee performance, the bank should be more careful about maintaining such benefit.
- The organization should also continue on providing maternity leave and annual leave as they have significant effect on employee to its employees since it will help them create a sense of loyalty and encourage their performance and productivity in the bank.
- The study continues to recommend that the bank should review the current overtime payment package since a good overtime payment package will attract

and retain employees in the bank and also improve their performance and productivity.

#### **5.4. Suggestion For Future Studies**

This study was confined only to Abyssinia bank that found in Addis Ababa central district. As a result, generalizations about the finding of the study were restricted, and the findings do not entirely represent the entire industry. In order to improve the current study and advance knowledge and understanding of fringe benefit effects on employee performance, more research should be conducted in light of the many intricate concerns that surround the subject of fringe benefit that this study has not addressed. Even though this study has such limitations, the findings of the study have several implications for the bank authorities and policy makers when designing fringe benefits for its employee. Furthermore, the study findings can help different organizational practitioners to develop strategies and policies to enhance employee performance

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## **Appendix 1:QUESTIONNARIE**

### **ACADAMIC RESEARCH PROJECT**

#### **Dear respondents**

The purpose of this questionnaire is to gather information on impact of fringe benefit on employee performance Abyssinia bank central district Addis Ababa ,Ethiopia. For degree of master's in business administration from St. Mary university. Your genuine response will add value to the success of the thesis. This information is only used to academic purpose and will only be kept confidential. Should there be problem on respondents because of their participation in this study the researcher will be liable.

Sincerely

Rediet zenabu

0929419571

[redietzenabu@gmail.com](mailto:redietzenabu@gmail.com)

Thank You in Advance for your corporation.

## **Section A: General Personal Data**

**Please provide information about you and your company by ticking the applicable box . (All responses are confidential)**

1. **Gender**                      Female [ ☐ ]                      Male [ ☐ ]
2. **Age**                      under 25 [ ☐ ]                      26-40 [ ☐ ]                      41-60 [ ☐ ]                      above 60 [ ☐ ]
3. **Educational level**                      Below 10 grade [ ☐ ]                      Certificate [ ☐ ]                      Diploma [ ☐ ]  
Degree [ ☐ ]                      Master's Degree and above [ ☐ ]
4. **What level of management do you belong to in this organization?**
- Top management                      [ ☐ ]
- Middle management                      [ ☐ ]
- Lower level management                      [ ☐ ]
5. **How long have you worked in this particular bank**                      <5 years [ ☐ ]  
5-10 years [ ☐ ]                      10-15 years [ ☐ ]                      15-20 years [ ☐ ]                      20> years [ ☐ ]
6. **Your department** .....

## **Section B: Employee Benefit Related Questions**

- 2.1. **What kind of fringe benefit is provided in your company?**
- 2.2. **Are you satisfied by the company fringe benefit system?**
- Yes [ ☐ ]                      No [ ☐ ]

**2.3. Do you think fringe benefit boost performance?**

Yes [ ]

No[ ]

**2.4. The following statements describe the views of employees about employee performance. In the continuum of strongly agree to strongly disagree where 1 = strongly agree (SA); 2 = agree (A); 3 = Neutral (N); 4 = Disagree (D); and 5 = Strongly Disagree (SD), kindly indicate the level of your agreement with each of the statements.**

S.No.	fringe benefit	1	2	3	4	5
		SA	A	N	D	SD
2.4.1	<p><b>The following fringe benefits are available</b></p> <p><b>A) Annual leave</b></p> <ul style="list-style-type: none"><li>• Is annual leave provided to employees in your company?</li><li>• Do you believe that the annual leave that is being permitted to you in your workplace is enough?</li><li>• Does the annual leave accessibility in your company is related to your performance?</li></ul> <p><b>B) Below market loan</b></p> <ul style="list-style-type: none"><li>• Is below market loan provided to employees in your company?</li><li>• Do you believe that the below market loan that is being provided to the employee is fair enough?</li></ul>					

	<ul style="list-style-type: none"> <li>• Is the below market loan accessibility in your company is related to your performance?</li> </ul> <p><b>C) Maternity leave</b></p> <ul style="list-style-type: none"> <li>• Is maternity leave provided to employees in your company?</li> <li>• Do you believe that the maternity leave package is implemented fairly as stated on the company employee policy?</li> <li>• Do you believe that fairly implemented maternity leave policy has impact on employee performance?</li> </ul> <p><b>D) Overtime pay</b></p> <ul style="list-style-type: none"> <li>• Is overtime payment provided to employees in you company?</li> <li>• Do you believe that overtime payment that the company provide is enough?</li> <li>• Do you believe that fairly implemented overtime payment has significant change on employee performance?</li> </ul>					
2.4.2	I am satisfied with the fringe benefit I receive					
2.4.3	The fringe benefit we receive are as good					

	as other organization					
2.4.4	The fringe benefit we receive are equitable and satisfying					
2.4.5	There are some fringe benefit we do not have which we should have					
2.4.6	The fringe package is adequate.					
2.4.7	The fringe package is attractive and boosts my performance.					
2.4.8	The fringe benefit packages are well communicated to employees.					
2.4.9	There is a strong relationship between well implemented fringe benefit and performance.					

2.4.10. Any suggestion that has not been raised above.....

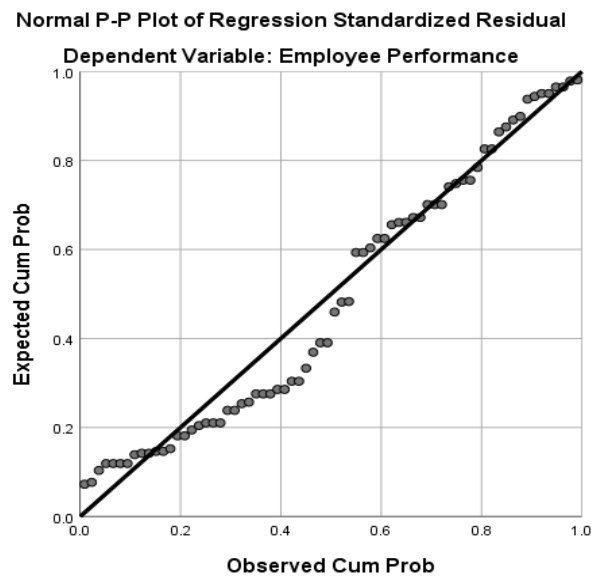
### **Section C:-Employee Performance Related Questions**

The following statements describe the views of employees about employee performance. In the continuum of strongly agree to strongly disagree where 1 = strongly agree (SA); 2 = agree (A); 3 = Neutral (N); 4 = Disagree (D); and 5 = Strongly Disagree (SD), kindly indicate the level of your agreement with each of the statements.

S.NO.	Employee Performance	1	2	3	4	5
		SA	A	N	D	SD
3.1.	fringe benefit has direct impact on employee performance.					
3.2.	The fringe benefit I receive from my company has					

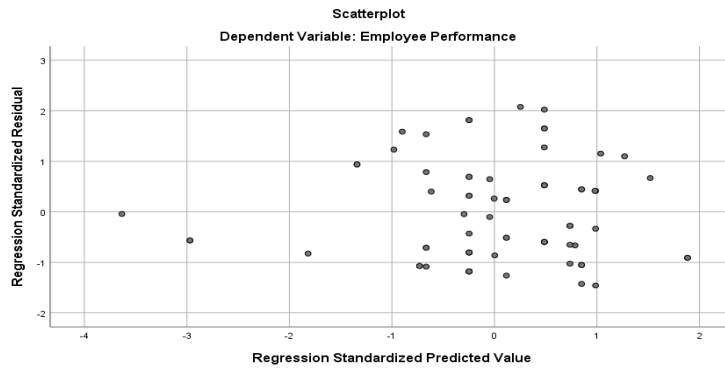
	direct impact on my performance.					
3.3.	I believe fringe benefit impact performance In the following ways;					
3.3.1.	Motivates employee to do better.					
3.3.2.	Improves punctuality to work.					
3.3.3.	Creates job security and leads to commitment to work.					

### 3.3.4. Other Suggestions Not Raised Above



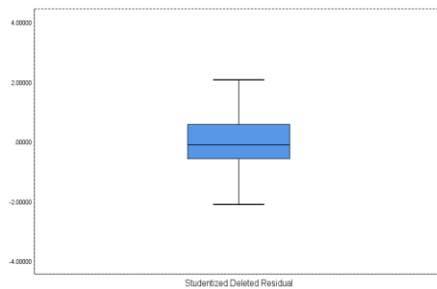
## Appendix B-Normal P-P Plot

Source-own survey result ,(2023)



## Appendix C-Scatterplot

Source-own survey result (2003)



## Appendix D-outliner

Source-own survey result (2023)