



**ST. MARY'S UNIVERSITY**

**FACULTY OF BUSINESS**

**MASTER OF BUSINESS ADMINISTRATION**

**THE EFFECT OF COMPENSATION AND BENEFIT  
PRACTICE ON EMPLOYEES JOB SATISFACTION IN  
THE CASE OF DASHEN BANK S.C**

**By:**

**Anteneh Demelash**

**Submitted to: St. Mary University**

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**BY:**

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As members of the Examining Board of the final MBA, open defense, we certify that we read and evaluated the thesis prepared by Anteneh Demelash and recommend that it be accepted as fulfilling the thesis requirement for the Degree of Master of Business Administration.

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## DECLARATION

I declare that this thesis is my original work, and has never been presented for the award of any degree in this or any other university and all source of materials used for the thesis have been duly acknowledged.

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## **ENDORSEMENT**

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

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## **ABSTRACT**

As banking industry is one of the fast-growing industries in Ethiopia, all banks are focusing on branch expansion and introduction of new products/services. This paper examines the effects of compensation and benefit on employees' job satisfaction at Dashen Bank S.C. in Addis Ababa branch. It was done based on primary and secondary data sources, a self-administered structured questionnaire, descriptive and explanatory research design, mixed research method, descriptive statistics and regressions. The collected data was analyzed using descriptive statistics and regressions. This study found that all Compensation & Benefit variables had a negative relationship with employees' Job Satisfaction, while linear regression variables such as payment, bonus, and Incentive and Promotion opportunity had a statistically significant effect. Health care had a statistically insignificant effect. These findings show that the related factors should have given attention to retain employees in the bank. Some suggestions have been recommended for the bank and for future research to be more complete and comprehensive Based on the findings of the study recommendations forwarded for management of the bank to continuously examine and improve the existing HR policy and procedure on Payment, Bonus, Incentive and Promotion that may guarantee continuous satisfaction of employees and to keep them retained in the bank

**Key words:** Job satisfaction, Pay, Bonus, Incentive, Promotion and Health Care

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Compensation and benefits refer to the compensation and other monetary and non-monetary benefits passed on by a firm to its employees. Compensation is an important aspect of HRM as it helps to keep the workforce motivated. It helps give benefits to employees based on their performance and actions so that it brings the best to employees at workplace. Smart employers know that keeping quality employees requires providing the right compensation and benefits package. People are always looking to put themselves in the best possible position financially. Those who are worth a specific pay amount often know their value and will seek a position that pays accordingly. Compensation includes wages, salaries, bonuses and commission structures. Employers should not ignore the benefits portion of employee compensation and benefits, because the benefits sweeten employment contracts with the priorities that most employees need. (Kimberlee Leonard , March 01, 2019)

Benefit is the payment given to the employees for the work they have done for the organization. That means an employee is entitled to both financial and non-financial benefits in return for his contribution to the organization. An inadequate benefit contributes to low satisfaction level and increase employee turnover. Organizations compensate employees through wages and salaries, bonus and benefit such as health insurance, vacation times and pension programs. These activities are important to increase the performance of employees. (Dessler and Gray, 2005)

Thompson (2019) quoted Leonard (nd) defining compensation as payment which includes wages, salaries, bonuses and commission structures. The main returns of compensation and benefit packages includes; attracting top talent, improved productivity and profitability, and increased employee motivation, loyalty and job satisfaction.

Sudiardhita et al (2018) argued that compensation is a reward received by someone for his hard work either in the form of money or in the form of other rewards that make the person feel pleased with the work that has been achieved. It is given to workers as a means to attain

organizational goals that include: extrinsic aspects in the form; salary and wages, benefits, incentives and additional income, as well as intrinsic aspects of the form; responsibilities, challenges and the nature of the work, abilities, skills and growth of personal qualities.

According to Ivancevich (2007) compensation should reflect the value of a job. Compensation designed generally for the benefit of the corporation and workers. The interest of the company with the compensation is to gain a greater job performance. While the interests of employees for the compensation received that is able to meet the needs and desires and become household economic security. The purpose of compensation is to make an appropriate reward system for employees and employers, the desired outcome is a worker who is tied to his job and motivated to do a good job for the worker.

In an organization, employees are the key resources through which all the other objectives are achieved. Employees will demonstrate pleasurable positive attitudes when they are satisfied with their job. Thus, high job satisfaction will increase the productivity of an organization, in turn increasing the overall organizational performance. Compensation plays an important role in determining an employee's level of job satisfaction, which results to an increase in individual performance. (Calvin Mzwenhlanhla Mabaso and Bongani Innocent Dlamini, 2017)

The term 'job satisfaction' therefore refers to the favorableness with which employees view their work and the term 'job dissatisfaction' to the unfavourableness with which they take their work (Qasim, Cheema & Syed, 2012). various theories like Maslow's need hierarchy theory, Herzberg's motivation- hygiene theory, and vroom's expectancy model have been extended to describe the factors responsible for the job satisfaction of the employees in the organization. According to kreintker & kinicki,(1992) at the individual level satisfaction and productivity are slightly related. However stated that when satisfaction and productivity data are gathered for the organization at whole, rather than at the individual level, it is found that organization with more satisfied workers tend to be more effective than organizations with fewer satisfied employees.

Similarly, Rahman and Syahrizal (2018) argued that Compensation is a motivation for workers to work as best as they can. Appropriate compensation suitable with responsibility will also increase the sense of responsible on the task given to the workers. Also satisfactory salary can

retain an employee to stay loyal to the company or organization. Compensation for worker is a form of appreciation given to employee for their contribution to achieve company goal.

## **1.2. Background of the organization**

Dshen Bank was founded by eleven visionary shareholders and veteran bankers with initial capital of Birr 14.9 million in September 1995. Upon securing license from the National Bank of Ethiopia, Dashen opened its doors for service on the 1st of January 1996 with eleven fully-fledged branches.

Dashen Bank coined its name from the highest peak in Ethiopia, mount Dashen, and aspires to be ‘‘Best in class Bank in Africa’’. The Bank aimed to be among the leading banks in Africa and it will extend its reach across Africa both for competitive benchmarking and business.

Ras Dashen is Part of the Simien Mountains National Park, an exotic setting with unique wildlife and breath-taking views on a landscape shaped by nature and traditional agriculture. The Simien Mountains is home to endemic wild life including the Walia Ibex, Simien Fox or Ethiopian Wolf and the Gelada Baboon. Dashen aspires to set new heights in banking services through the delivery of unique value propositions second to none.

Headquartered in Addis Ababa, the Bank is among the biggest private Banks in Ethiopia. Dashen is the most reputable brand in the domestic banking market; a reputation earned Ethiopia. It operates through a network of more than 442 Branches, nine dedicated Forex Bureaus, 389 ATMs and 1,283 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation.

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

Compensation and benefit packages can affect turnover and job satisfaction. Weldeyohannes (2016) stated that unsatisfactory salary has impact on job satisfaction. This in other words means the lower compensation, the higher job dissatisfaction. on the other hand, dissatisfied employees show absenteeism, soldiering (deliberately working at slow pace), turn over, etc. to ensure proper utilization of human resource available in the organization, researchers continue research to identify factors and their relative importance for shaping job satisfaction of employees.

With an increasingly dynamic work force that desire more information about pay and benefit practices, it will be essential to communicate and make them participate in the decision making of compensation and benefit policy. Such activities lead employees to contribute their maximum efforts for the achievement of organizational objectives. When setting pay rates, compensation managers must take into consideration the employees' perception of fair, equitable compensation (K.Ahmed, 2010)

To ensure the achievement of firm goals, the organization creates an atmosphere of commitment and cooperation for its employees through policies that facilitate employee satisfaction. Satisfaction of human resource finds close links to highly motivated employees. Motivated employees then develop loyalty or commitment to the firm resulting to greater productivity and lower turnover rates. However, it was found that satisfied employees exert high performance than dissatisfied employees. A person with high level of job satisfaction holds positive attitude towards the job while a person who is dissatisfied with his or her job holds negative attitude about the job Spector (1997) study as cited in(Mosammod and Nurul, 2011).

The researcher heard so many complaints from the employees that indicate the employees low job satisfaction, which is more related with the Dashen Bank S.C. compensation & benefit policy. Even though the bank undergoes an exit interview for the resigned employee's, the exact genuine response might not be found. The bank also requests the leaving employees to fill out the exit form but the papers are submitted back unanswered or partially answered. To make it worse some response given are even unrealistic enough to even consider it as a data.

The researchers have worked at Dashen Bank S.C. For more than a year and has observed these issues faced by the bank. Therefore the above mentioned comments which were not based on scientific research methodologies initiated the researcher to conduct this study. Since the bank has not been conducted a research regarding its employee's satisfaction towards the bank compensation and benefits policy and its impact on the above mentioned human resource outcomes despite the critical need for bank sustainable competitiveness and growth. And the researcher also believes this study may pave a way for further researches to go through the problem widely in the future and this study will be conducted to examine the negative effects that compensation and benefit has on employees' job satisfaction in the bank.

## **1.4. Research Questions**

1. Which type of compensation and benefit packages contribute to employees' job satisfaction in Dashen Bank S.C
2. What is the job satisfaction of employees towards compensation and benefit policy?
3. What are the possible areas of improvement for sustainable competitiveness and growth of the Dashen Bank S.C.
4. How the current compensation scheme of the Bank was perceived by employees in terms of job satisfaction.

## **1.5. Objective of the study**

### **1.5.1. General objective of the study**

The general objective of the study was to assess the impacts of compensation and benefits on employee's job satisfaction in case of Dashen Bank S.C Addis Ababa district Head Office branches.

### **1.5.2. Specific Objective**

1. To examine the compensation and benefits package currently in place in the bank.
2. To examine the job satisfaction of employees towards the compensation and benefit policy of the bank.
3. To identify the type of benefits that most and least favored by employees.
4. To identify the possible areas of improvement for sustainable competitiveness and growth of the bank.

## **1.6. Significance of the study**

This paper will provide information to Dashen Bank S.C. as part of an input in further investigation in the subject matter. The study will inform managers so that they have better understanding about which factors affect the job satisfaction of employees and to what extent. Furthermore, the study will enable managers to improve work place treatment and practices to increase employee's job satisfaction and to provide the basis for which management and policy makers of the bank to establish policies that enhance the job satisfaction of its employee's.

This study contributes to the existing body of knowledge and literatures on the area of its concern and the paper can also serve as a stepping stone for further investigation.

### **1.7. Scope of the study**

The study focuses on the effect of compensation and benefit practices to improving their job satisfaction in the Dashen Bank S.C. head office branch Addis Ababa. The study will be conducted at Dashen Bank Head Office branches located at, Addis Ababa Ethiopia because of resource and time limitation.

The study is limited in 2022 GC Bank activity/performance and the research will focus on only the effects of compensation and benefit practices on employee job satisfaction in case of Dashen Bank S.C.

The study involves as a target population of all permanent employees of Dashen Bank S.C. in head office branch Addis Ababa. The rest non-clerical employees are not included in the study because they are employed by agencies and are not permanent employees of Dashen Bank S.C.

In addition, only four factors influence job satisfaction of the employees is being investigated namely pay (salary), Promotion, Bonus & Incentive. Besides this factors other factors, such as organizational commitments and culture, supervision, co-workers, nature of work, leadership and others can influence job satisfaction, which are not being considered this study.

### **1.8. Organization of the study**

The study is organized into five chapters. The first chapter is about the background of the study and company, statement of the problem objectives of the study, research questioner significance of the study and scope of the study and at the end definition of key terms. Chapter two discusses the currently existing knowledge on the issue from several literature works. Chapter three will detail the materials and methods used in the study. In Chapter four findings of the study will be reported. In chapter five the Conclusion and Recommendation from the researcher side will be forwarded. In chapter six strength and limitation of the study will be conveyed.

## CHAPTER TWO

### LITREATURE REVIEW

#### 2.1. Theoretical Literature Review

Different scholars have defined compensation and benefit packages in different ways. Kappel (2018) defined compensation as the total cash and non-cash payments given to workers in exchange for their effort in business. Jones (2018) defines employee benefits package as a set of non-wage compensation that supplements an employee's salary. It is typically one of the biggest operating costs for businesses with workers. Mark(2019) argued that compensation refers to pay or the exchange in monetary terms of the work performed by the worker and is paid by the owner. This can be in the form of wages, salary or tips. Benefits refer to the exchange in value to the workers as part of their packages for the work that has been performed. In other words, benefits do not involve money but are presented in form of value. However, there are also other key factors that differentiate compensation from benefits.

There are diverse types of benefit packages and employees have the opportunity to prefer benefit packages that suit their needs. Some benefits are required by law and these include sick and holiday pay as well as unemployment compensation. On the other hand, workers can choose their desired benefit packages from the following: vacation, health insurance, company housing, subsidized meals as well as educational funding for children. In some cases, benefits depend on one's level within the company.

**Table 1: The difference between Compensation and Benefits**

<b>Compensation</b>	<b>Benefits</b>
Monetary value	Non-monetary value
Compensation is performance based	Benefits are not performance based but membership based
Employees cannot determine their Compensation	Employees can determine their benefit
packages and are entitled to them In piece-rate compensation plan, pay determined by	No benefits at all

contribution made	
Meant to attract as well as to retain talented workers.	Meant to motivate as well as to improve
welfare of employees Pay offered on weekly, fortnight as well as monthly basis	Benefits can come separate from actual pay earned by the employee

**Source: Mark (2019, Para 15)**

### **2.1.1. Compensation**

Compensation is the reward employees receive in exchange for their performance. It is concerned with wages and salaries, pay raises, and similar non-monetary exchange for employee's performance (Holt, 1993). For an organization to achieve its objectives, it needs to attract, motivate and retain competent employees. This can be done by providing a fair and consistent compensation to all employees.

According to Bernadine, 2007, compensation refers to all forms of financial returns and tangible benefits employees receive as part of employment relationship. Employee's motivation, satisfaction, morale, performance and productivity are influenced by the remuneration they receive.

In order to use compensation as an effective motivational tool, Human Resource managers must consider four major components of a pay structures in an organization these are: (a) Job rate, which is the importance the organization attaches to each job; (b) Payment, which encourages employees by rewarding them according to their performance; (c) Personal or special allowances and (d) Fringe benefits (Popoola and Ayeni, 2007). Through effective compensation organizations can achieve the following objectives: acquire qualified personnel, retain current employees, ensure pay equity, reward desired behavior, control cost, comply with legal considerations, and facilitate understanding (Werther and Davis, 1996).

#### **2.1.1.1. Types of compensation**

Ivancevich, (2003), indicates that, compensation can be financial or non-financial. Therefore, for the purpose of this study, compensation is classified into the following categories.

- Financial Compensation

- Non-financial Compensation

**Financial compensation** is concerned with financial rewards and incentives, most popular and important compensation that is given in the form of money. It is the most important motivational factor that satisfies employee's basic needs like food, clothing, etc. Financial compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization, Ivancevich, (2006).

The financial benefits include basic salary, house rent allowance, overtime, travel allowance, medical reimbursements, special allowances, bonus, etc. Financial compensation refers to money received for work, such as wages, and salaries, salary is the amount received by the employee in lieu of the work done by him/her for a certain period say a day, a week, a month, etc. It is the money an employee receives from his/her employer by rendering his/her services. Wages means remuneration paid in cash. Some of the types of financial compensation rather than salary, Medical expenses- incurred by an employer to its employees.

**Bonus:** Bonus is paid to the employees during festive seasons to motivate them. The bonus amount usually amounts to one month's salary of the employee. **Special allowance:** Special allowance such as overtime, mobile allowances, meals, travel expenses, reduced interest loans; insurance, club memberships, etc are provided to employees to motivate them which improve the organizational productivity.

**House Rent allowance- HRA** is paid to employee when he/she stayed in rented accommodation. **Accident relief:** it refers to reimbursement of expenses on happening of some uncertain event.

**Health and life insurance-** It is given by the company to secure the health and life of employee. (Chiu, et al., 2002) Beyond the paycheck, companies have a wide range of choices when considering employee compensation.

Quality-of-life issues consistently come up when workers are polled on what they look for in a job, and managers recognize the benefits of a happy and productive workforce. This applies to start-up companies that might have limited cash resources with which to pay employees as well as established companies seeking to improve their bottom line.

**Non- Financial Compensation:** type of compensation does not directly involve money and is usually related to the work itself. It includes achievement, autonomy, promotion, recognition and the scope of the work. Other forms of non-financial compensation include skills development, training and career development opportunities, high quality leadership, workplace learning and development, performance management, work environment, job design and development, quality of working life, Work/life balance and talent management (Armstrong, 2006),(Armstrong 2003: 626; Herzberg1966), these are rewards that do not involve any direct payments and often arise from the work itself. This category of rewards aims to boost employee morale (Danish and Usman 2010; Resurreccion2012).

One key form of nonfinancial compensation is health insurance. Employers are responsible for the vast majority of health insurance coverage. Group coverage is far less expensive than single policies, so even though employees often contribute to their own coverage, they nonetheless benefit through drastically reduced medical expenses. Many employers also offer disability and life insurance policies to further protect workers and engender employee loyalty. (Specter, 1997). Business owner, requires to offer an attractive compensation package to the people they hire. Compensation goes beyond a worker's salary. It includes additional business employee benefits known as fringe benefits and incentives. (Specter, 1997)

### **2.1.2. Employee benefits**

Bratton and Gold (2009) define employee benefits as that part of the total reward package provided to employees in addition to base or performance pay. Employee benefits focus on maintaining or improving the quality of life for employees and providing a level of protection and financial security for workers and for their family members. Recently, employee benefits have been seen as one of the mostly used strategies by most organizations in attracting and retaining competent employees (Ashatu Hussein). Employee benefits include any benefits that employees receive in addition to direct compensation. They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance .

Benefits can act as noteworthy substitutes for wages. Employers may choose to offer fringe benefits since workers can have high tendencies for them. As a result, it can lead to decreasing

the turnover rate as effectively as a similar valuable increase in wages (H. Dale-Olsen, 2006). Woodbury also found that workers think of benefits as substitutes for wages. They are willing to exchange wages for more benefits. This can increase job satisfaction if the worker's income tax rate reduces by decreasing wages (S. Woodbury, 1983). Benefits are the additional non-cash items or service that have financial value and serve to make the employee's salary go further. Some benefits like sick pay and holiday pay are often legally mandated, whereas other benefits are discretionary” (Crawshaw, Budhwar & Davis, 2014).

According to Pittsfield, benefits made available to employees are regarded as an addition to wages and salaries. Benefits may be direct benefit which includes profitsharing, sick pay, pension schemes, etc. and indirect benefits which include welfare amenities, social and recreational facilities, etc. Employee benefits should protect and promote wellbeing of employees. Some of the major benefits that organizations offer are; insurance (Life, Disability, Health), unemployment insurance, workers compensation, pension plans, payment for time not worked, severance pay, maternity leave, family and medical leave, annual vacation and others (Education grant, Tax exemptions, Loan scheme, Travel insurance, etc.)

The major objective of benefit packages is to offer employees with benefits that are valuable enough to encourage them to stay longer with the company (Sinclair, Leo, & Wright, 2005). Employee benefit program must; satisfy real needs, must meet individual employee needs, comply with legal requirements, have a wide range, be flexible to cope with changes in the environment.

### **Benefits at work**

Employee Happiness Index (2019) identified the following benefits as “working hours & leave, skills development, food & beverage, and employee clubs, activities & gifts.”

**Working hours & leave** Flextime (Flexible hour's schedule that allows workers to alter workday start and finish times) gives workers the possibility to decide about their working hours and/or the location they want to work from. Other examples include additional holidays and, one of the other benefits employees value most. Flexible hours and the possibility to work from home remain important benefits for employees.

**Skills development** Rapid technological developments and the fact that people change jobs more often make skills development more important too. Skills development, however, is not just an important benefit for (younger) employees. It is also essential for organizations if they want to remain competitive.

**Food & Beverage** Employee Happiness Index already mentioned the meal vouchers in France. Other benefits that fall into this category include free lunches, fruit, and coffee.

### **Benefits for financial security**

Cautero (2019) argued that to put it simply, financial security means having adequate money to fund your lifestyle, as well as work toward your financial goals. Financial security means different things to different people. To some, it may mean having enough money to cover all your bills, save for retirement and then have some left over. To others, it may mean earning a six- or seven-figure income, maintaining a robust investment portfolio and owning several real estate properties. Regardless of your interpretation of what it means to be financially secure, it's likely on your long-term list of financial goals to achieve financial security

### **2.1.3. Job satisfaction**

Job satisfaction is concerning one's thoughts or state-of-mind regarding the nature of their work. job satisfaction can be influenced by a variety of factors, for example pay practice, quality of one's relationship with their supervisor, quality of the physical environment in which they work (Tanjeen, 2011).

An attitude of great interest to managers and team leaders is job satisfaction. Job satisfaction reflects the extent to which individuals find fulfillment in their work. Job satisfaction is an affective or emotional response towards various facets of one's job. In other words, job satisfaction involves a person's positive or negative feelings about his or her job (Lisa& Timothy, 2004).

The most used definition of job satisfaction in organizational research is that of Locke (1980), who described job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences. “Locke developed three important dimensions of job satisfaction.

They are as follows:

- Job satisfaction is an emotional response to a job situation. As such, it cannot be seen; it can only be inferred.
- Job satisfaction is often determined by how well outcomes meet or exceed expectations. For example, if organizational participants feel that they are working much harder than other is in the department but are receiving fewer rewards, they will probably have a negative attitude toward the work, the boss, and/or co-workers and they will be dissatisfied. On the other hand, if they feel that they are being treated very well and are being paid equitably, they are likely to have a positive attitude toward the job, and then they will be job satisfied.
- Job satisfaction represents several related attitudes

Job satisfaction refers to a collection of opinions that an individual holds towards his or her job. A person with a high level of job satisfaction holds a positive feeling about the job, while a person who is dissatisfied with his/her job holds a negative feeling about the job (Langton & Robbins, 2006). Job satisfaction is simply how people impression about their jobs. it is the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs, it can also be a reflection of good treatment and an indicator of emotional well-being

#### **2.1.4. Compensation and Job Satisfaction**

Compensation is all employers provided tangible and intangible rewards an employee receives as part of the employment relationship. Compensation may achieve several purposes, assisting in recruitment, job performance, and job satisfaction. According to a research report by the Society of Human Resource Management (2013), 6 out of 10 employees indicated that compensation was very important to their overall job satisfaction. Low job satisfaction, a high rate of absenteeism and staff turnover, and moonlighting are some of the consequences of insufficient and inadequate compensation (DeCenzo and Robbins 2006; Khan et al. 2011; Majumder 2012; Alam 2012). Among the 5 Ms, that is, Men, Money, Machines, Material and Market, men are an organization's most valuable asset.

Employees are the architects of a firm. To maintain job satisfaction and retain their services, compensation in the form of wages should be fair and adequate. Effective managers compare

their firm's compensation strategies with similar firms in the sector or with the established benchmark.

### **2.1.5. Herzberg and Job satisfaction**

According to (Qasim, Cheema & Syed, 2012) provided that Herzberg's two factor theory of job satisfaction describes that different factors combine to create job satisfaction and dissatisfaction among employee. Herzberg identified the factors as either motivators or hygiene factors. Motivators promote job satisfaction. They include achievement, responsibility, the work itself, recognition, and advancement/promotion.

Herzberg's motivation-hygiene theory refers to the relationship between job satisfaction and job dissatisfaction that are affected by motivators and/or hygiene factors. Herzberg states that motivation factors can create high levels of job satisfaction, although the lack of these factors does not guarantee job dissatisfaction.

In addition, hygiene factors can lead to dissatisfaction, but their absence does not guarantee satisfaction (Qasim, Cheema & Syed, 2012). As such, job satisfaction and job dissatisfaction are independent of each other. Herzberg states that the opposite of job satisfaction is not dissatisfaction, but a lack of satisfaction or no job satisfaction. This would mean that the opposite of dissatisfaction is not satisfaction, but a lack of dissatisfaction or no job dissatisfaction

Hygiene factors do not directly lead to job satisfaction however; their absence may lead to job dissatisfaction (Qasim, Cheema & Syed, 2012). They consist of; organizational policies, supervision and leadership, pay or salary, work conditions, and communication with supervisors/work partners. Therefore, employers should seek ways of eliminating dissatisfaction resulting from hygiene factors and focus on improving the motivators in the work environment to increase job satisfaction (Qasim, Cheema & Syed, 2012).

**Motivator factors** As it is described above Herzberg's motivator factors include the work itself, recognition, advancement, and responsibility. These factors are related to an individual's positive feelings about the job and to the content of the job itself.

According to (Qasim, Cheema & Syed, 2012) these positive feelings, in turn, are associated with the individual's experiences of achievement, recognition, and responsibility. As a result,

motivators are referred as intrinsic factors; hence, they reflect lasting rather than temporary achievement in the work setting. Intrinsic factors are directly related to the job and are largely internal to the individual (Qasim,Cheema& Syed, 2012).

**Hygiene factors** Herzberg's' hygiene factors as described above include company policy and administration, technical supervision, salary, fringe benefits, working conditions, job security, and interpersonal relations.

(Qasim,Cheema& syed,2012) stated that hygiene factors are extrinsic factors or factors external to the job because of hygiene factors are associated with an individual's negative feelings about the job and are related to the environment in which the job is performed. They serve as rewards for high performance only if the organization recognizes high performance.

However, Herzberg's also emphasizes that it is important to understand that those factors that lead to job satisfaction are not the same as those factors that lead to job dissatisfaction. Job security, benefits, and feeling safe cannot increase employee job satisfaction, but if these are not present, they can lead to job dissatisfaction (Qasim, Cheema & Syed, 2012).

#### **2.1.6. Human Capital Theory**

Human capital signifies the combined the brainpower and experience of staff as a source of competitive improvement that cannot be imitated by rivals (Resick, 2007). This theory advocates for attracting, engaging, repayment and developing people in organizations. Some of the employee compensation practices in this research are meant to ensure that the performance of employees is improved this theory is relevant.

However, this theory has been criticized for not addressing other underlying components of employee performance. Scholars have argued that ultimately, it is only the characteristics that improve employee performance. This is because it considers reward, which is also a factor of compensation. This means that employees can be rewarded for their efforts despite the fact that the theory does not examine the effect of the rewards.

#### **2.1.7. Expectancy Theory**

According to Armstrong, (2010), in the expectancy theory, motivation is likely to be when there is a perceived and usable relationship between and outcome, with the outcome being seen

as a means of rewarding needs. In other words, there must be a relationship between a certain reward and what has to be done to achieve it. This theory is very important in the context of this research. It is instrumental especially when designing performance-based employee wellbeing programs. This theory helps explain why an organization's staff would feel confident that they could grow in the same organization, hence remain there, or seek development elsewhere by exiting the organization.

### **2.1.8. Equity Theory**

Equity theory, as reviewed by Walster, Berscheid & Walster(1973) shows how a person perceives fairness in regard to social relationships. The theory presupposes that during a social exchange, a person identifies the amount of input gained from a relationship compared to the output, as well as how much effort another person's puts forth.

Based on Adam (1965) theory, Huseman, Hatfield & Miles (1987) further suggest that if an employee thinks there is an inequity between two social groups or individuals, the employee is likely to be distressed or dissatisfied because the input and the output are not equal. Inputs encompass the quality and quantity of the employee's contributions to his or her work. Examples of inputs include: time, effort, hard work, commitment, ability, adaptability, flexibility, tolerance, determination, enthusiasm, personal sacrifice, trust in superiors, support from coworkers and colleagues and skills. Output (outcomes) on the other hand is the positive and negative consequences that an individual (employee) perceives a participant has incurred as a consequence of his relationship with another. Examples of outputs include job security, esteem, salary, employee benefits, expenses, recognition, reputation, responsibilities, and sense of achievement, praise, thanks, and stimuli and so on.

The major concern in equity theory is about payment and therefore the cause of concern of equity or inequity in most cases in organizations. In any position in the organization, an employee wants to feel that their contributions and work performance are being rewarded with their pay. If an employee feels underpaid, he would be dissatisfied and therefore becomes hostile towards the organization and co-workers which may ultimately result to lack of motivation and low performance. Equity is multidimensional in nature. For example, it does not depend on our input-to-output alone. It depends on people's comparison between own input-output ratio and the

ratio of others. Since equity is all about perception, employees form perceptions on what constitute a fair (balance or trade) of inputs and outputs by comparing their situation with other 'referents' in the market place as they see it. From this comparison, when they perceive that their inputs are fairly rewarded by outputs, then they are satisfied, happier and more motivated in their work. They are de-motivated to their job and the organization when they perceive that their ratio of inputs-outputs is less beneficial than the ratio enjoyed by referent others (Ball, 2014).

According to Adams (1963), when a person becomes aware of inequity, it causes a reaction in them, potentially some form of tension that is 'proportional to the magnitude of inequity present'. It is because of this tension that an individual might react in a way that reduces the tension in him.

#### **2.1.9. Measurement of Employee Satisfaction**

According to Robbins et.al (2003), we can measure job satisfaction in single global rating methods: - Single global rating is nothing more than a response to one question. For example, all things considered, how satisfied are you with your job? Here respondents circle a number between 1 and 5 that corresponds to answer from "highly satisfied" to "highly dissatisfied". The researcher also follows this system that is likert scale of assessment style to collect data.

### **2.2. Empirical review**

Compensation defined by Caruth and Handlogten (2001), as the bucket of financial rewards salaries, commission, wages, bonuses, insurance and other sorts of indirect monetary benefits provided to employees. In addition, Dessler (2007) said that. "Compensation refers to all types of pay or rewards going to employees and arising from their employment".

Salisu, et al. (2015) in their study of impact of compensation on job satisfaction of public sector construction workers in Nigeria using sample of 265 respondents selected by stratified randomly sampling techniques. Data were analyzed by using confirmatory factor analysis tool. The study revealed that compensations have positive impact on employees' job satisfaction.

Yaseen (2013) studied the effect of compensation factors on employee's satisfaction. Simple random sampling technique was used in this research and correlation, ANOVA and regression

analysis tools were applied. Results showed that pay, recognition, promotion and meaningful work had effect on job satisfaction.

Teseema et al. (2013) studied effects of compensation package on job satisfaction in USA, Vietnam and Malaysia. It was a cross sectional study and used a self-reported questionnaire survey on a sample of 457 respondents from USA, 391 respondents from Vietnam, and 347 from Malaysia. Data were analyzed with ANOVA, descriptive statistics and regression analysis. Findings revealed that compensation packages, namely; pay, recognition and benefits have positive effect on job satisfaction.

Nawab and Bhati (2010) studied the influence of employees' compensation on job satisfaction in educational sector using 270 questionnaires and correlation and regression analysis techniques. The results indicated that there was positive significant relationship between compensation and job satisfaction

Various studies have been done to see the effect of the reward system. While some of the studies indicate that the use of rewards as enhances employee performance, others note that rewards do not motivate or doesn't have any effect on employee performance at all. The study by Veling and Arts, the authors aimed at examining „whether monetary rewards can reduce failures to act on cued task goal“ (2010:188). With a research sample comprising of thirty-six (36) undergraduates, the authors experimented to see how quick their respondents reacted to specific tasks when given a range of monetary rewards ranging from low to high rewards.

The studies found out that giving relatively high monetary rewards, led to „overall faster responses“ to the specific tasks given to respondents. The authors noted that respondents overall fast response to task was positively correlated to the high rewards given them. Conversely, the authors also noted that when rewards were on the low side, respondents either slacked or showed little in the task at hand. Their finding is consistent with other studies which noted that relatively high monetary rewards may function as a catalyst for enhanced effort or determination by employees to perform well (Bijleveld et al. 2009, Locke and Braver 2008, Waugh and Gotlib 2008).

Having the right type of rewards program will help workers to grow, mature and ultimately add value to their organization. Pay, both „variable and base“, is key to ensuring to get the most

value from the employees, especially high performers according to a report on salary surveys (Zingheim, 2010, p. 9). Organizations that spread pay more evenly drive away high performers and encourage the same type of average performance throughout the organization. In the study of the effect of cash bonuses on employee performance in the Kenya Power and Lighting Company Ltd, Njanja et al. (2013) found that although the majority of staff surveyed had a perception that cash bonuses motivate performance, the study concluded that these cash bonuses had no effect on employee performance.

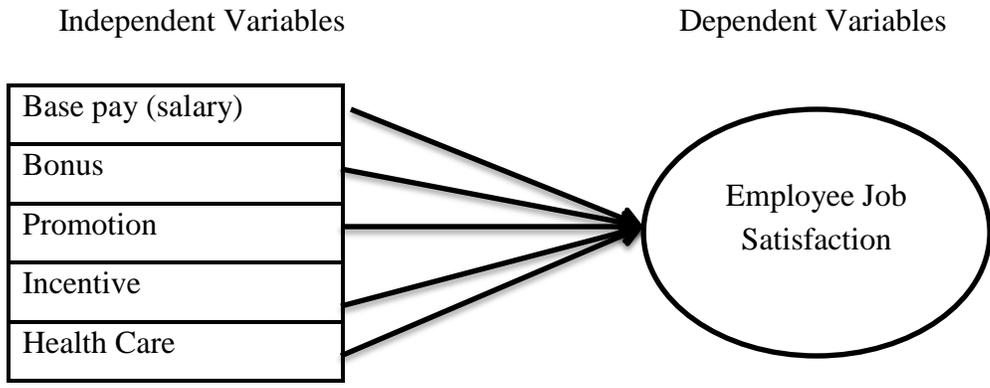
Those who had received a bonus and those who had not, perceived it to affect their performance the same; hence it did not have a significant effect on performance. However, conversely in their study of reward structures within the British construction industry (Drunker and White, 1996, p. 142) showed that due to the project nature of that industry and the clear distinction in its work force between the manual and white collar workforce, PRP systems may yield results among professional and senior managers in that industry. It suggests that this PRP model could be developed in the context of improving performance in a project team, and around a competency or skill based pay system.

### **2.3. Conceptual framework**

Different factors contribute to the increase in employee job satisfaction. Compensation and Benefit packages are among the contributing factors that can positively or negatively affect employees' job satisfaction. An organization is supposed to put in place compensation and benefit packages that can have positive impact on employees to ensure its sustainability and the quality of its services.

These compensation and benefit packages may vary from organization to organization depending on its nature and resources. The more an organization pays due attention to such basic compensation and benefit packages, the better positioned it may be in terms of improving their satisfaction level and.

In this paper, the following compensation and benefit packages were studied as having impact on Dashen Bank's employees' job satisfaction. These are Salary and wage, bonus, Incentive, Promotion; these factors influence the dependent variables: Employee job satisfaction.



**Figure 2.1 Conceptual Framework**

**Source: Developed by the researcher, 2023**

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research approach**

The primary purpose of this study was to find out the Effect of Job satisfaction of employees in Dashen bank SC in light of theoretical frame work and has a descriptive with explanatory nature. The major purpose of descriptive research is to describe characteristics of a certain phenomenon, this study also aims to describe and explain the practice of employee's motivation. The descriptive research design describes the characteristics of objects people or organization (Zikimund, Babin, Carr & Griffin, 2012:15).

#### **3.2. Research design and Method**

There are two well-known research design approaches (qualitative and quantitative). In a qualitative research design, the researcher relies on qualitative data in nature and often depends on key information, opinions, and suggestions and employees perception the common qualitative research designs include: case study, ethnography, phenomenological study, grounded theory study and content analysis. Each design has its own particular setting and its choice depends on the researcher problem statement or research question to be answering.

On the other hand quantitative design involves quantitative information that can be summarized through statistical analyses. Quantitative research design encompasses: observation studies, developmental study. Data collection instrument in a quantitative research design often makes the use of checklists and defined point rating scales (Leedey and Ormrod, 2010).

Based on this, the researcher used Quantitative approach to investigate the effect of employee job satisfaction in Dashen bank SC.

#### **3.3. Data Source and Data Type**

In this research primary data sources and types was used. Primary data was obtained through the self-administered structured survey questionnaire. Secondary data is collected from the bank and related studies .in addition secondary data is collected from the annual reports, HR policy and

procedure, books, journals, magazines, and bulletins of the bank to gather information about the company past employee compensation & benefit trends.

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

#### **3.4.1. Target population**

The target population of this study is employees of Dashen bank SC. who are working in Addis Ababa Head Office branches in the job category of clerical staff.

#### **3.4.2. Sample Size and Sampling Technique**

The target population of the study will be the branch employees of Dashen bank in Addis Ababa. According to Dashen Bank S.C. Human resource management 2022, the total numbers of employees are 810 of employees and managers.

The sample size for this research is drawn using the following formula which was developed by Yamane tare (1967) .the reason for this formula is that it is the most simplified and widely applied in determining sample size.

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

Thus the known population size N= 810 Assuming that a 95% confidence interval and the error level (e) is 0.05 which means 5%

$$n = \frac{810}{1 + 810(0.05^2)}$$

Therefore the sample size **n=268**

#### **Figure 3.1 Sample size**

The researcher uses simple random sampling methods. Simple random sampling is the simplest form of probability sampling since probability sample must provide a known non zero chance of the selection for each population element and considered a special case in which each population element has a known and equal chance of selection.

**Table 2: Composition of the population**

<b>Departments</b>	<b>Population Size</b>	<b>Sample Size</b>	<b>Remark</b>
Management	188	19	
Clerk	107	55	
Accountant	132	6	
Officer	306	186	
Other	77	2	
<b>Total</b>	<b>810</b>	<b>268</b>	

**Source: Staff data from bank**

### **3.5. Method of Data Collection**

The study seeks to find out the effect of compensation and benefit practice on employees job satisfaction was obtained from answers of the questions Compensation & benefit, Employee job satisfaction and personal information from workers at the Dashen Bank S.C with the independent variable Compensation & Benefit factor and the dependent variable being Employee job satisfaction.

### **3.6. Method of Data Analysis**

The relevant data collected for the study through questionnaires are processed, analyzed and interpreted through SPSS (Statistical Package for Social Science) software. Likert Scale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research. A Likert scale is the sum of responses on several Likert items. All items would be responding to 2and 5 point Likert agreement scale. 1. Strongly disagree, 2. Disagree, 3. Neutral, 4 Agree, 5. Strongly Aagree. In the survey questionnaire would consists previously tested questions and it would have three sections. The first section is designed to collect demographic profile of the employees. The second section is about reward management practice and Michael Armstrong`s reward measurement tool used in developing the questionnaire.

To analysis the data Statically Package for Social science (SPSS) and STATA which is statistical software package was applicable accordingly. SPSS is a widely used program for statistical analysis in social science Statistics included in the base software.

Descriptive statistics: cross tabulation, frequencies, descriptive, explore, descriptive ratio statistics. Bivariate statistics: means, t-test, ANOVAs, correlation (bivariate, partial, distances), nonparametric tests

Prediction for numerical outcomes: linear regression capabilities include data management, statistical analysis, graphics, simulations, regression, and custom programming (Perry R. H., 2004). In addition, the data which collect from sample subjected to statistical analysis such as descriptive and inferential statistics. Descriptive statistics concerned with summarizing and describing a body of data. Inferential statistics is the process of reaching generalizations about the population of examining the sample. In inertial statics liner regression, Partial regression and multiple regressions takes place (Salvatore & Reaggle 2002). Accordingly, the researcher used descriptive statistical analysis tools such as mean and frequency tables to summarize the data

The techniques for Descriptive analysis were frequency distribution, percentages; aggregate mean score were used to determine the gap scores. Also the researcher uses inferential statistics to explain the relationship between the dependent and independent variable. From this Karl Pearson's coefficient of correlation was used to determine the correlation between dependent variable (Job Satisfaction) and the independent variable (compensation & Benefit Practices). This study was done for each group of items relating to the research questions and objectives.

### **3.7. Validity and Reliability**

#### **3.7.1. Validity**

Validity refers to the extent to which the results of the study conducted are accurate findings of the study. Thus the research presented based on the actual result with utmost objectivity of the researcher. Furthermore, to minimize any possible biasing effect and error, software package for social science was applied in analyzing the questionnaires.

#### **3.7.2. Reliability**

Reliability in this context refers to the degree to which consistency of the research instrument is maintained. Thus, to insure the reliability of this study the researcher instrument was pre-tested, the questionnaire was re-structured and re defined and some wording was corrected in a way to be understood by the respondent. Also the paper enhance the reliability by using a pilot test

check the relevancy of the questions and test the reliability of the data by using a Cronbach's alpha. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha is ranges between 0 and 1.

The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. George and Mallery (2003) provide the following rules of thumb: " $\geq 0.9$  – Excellent,  $\geq 0.8$  – Good,  $\geq 0.7$  – Acceptable,  $\geq 0.6$  – Questionable,  $\geq 0.5$  – Poor, and  $\leq 0.5$  – Unacceptable".

**Table 3: All Variables Reliability**

**Reliability Statistics**

Cronbach's Alpha	N of Items
.904	24

**Source: researcher's survey data from SPSS analysis result 2023**

**Table 4: Summary of Measures (Reliability)**

<b>Variable</b>	<b>No. of Items in the Scale</b>	<b>Cronbach's Alpha Result ( <math>\alpha</math> )</b>
Pay	4	.914
Bonus	4	.949
Promotion	4	.926
Incentive	4	.909
Health Care	4	.846
Job Satisfaction	4	.824

**Source: researcher's survey data from SPSS analysis result 2023**

As we can see from the above table the Cronbach's alpha reliability result of each independent and dependent variable is Excellent ( $\alpha > 0.9$ ) level. Therefore, we can see that consistency of questionnaire is Excellent reliability.

**3.8. Ethical Consideration**

The study was conducted in such the way that it considers ethical responsibility. Ethical responsibility includes providing information about the study for respondents (like who's

conducting the research, for what and who will benefit), also the study provided anonymity, meaning the data from the respondents are confidential and cannot be used for any personal interest, providing assurances to participants are given high priority.

So as to shield the identity of the respondents, guarantee their active participation and satisfy ethical considerations, the subsequent guidelines adhered to the knowledge are going to be used strictly for tutorial purpose; the identity of the respondents are going to be protected; the response of the participants are going to be presented normally terms except where it's absolutely necessary to create relevance the officer.

This is a part of the measures to ensure the confidentiality of the exercise and also the manuscript of the interview won't be made available in any property right. At the top of the research, essential information that may support further research is going to be preserved by the researcher while the others are destroyed.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND INTERPRETATION**

#### **4.1. INTRODUCTION**

The general objective of this research was to assess the Compensation and Benefit Package effect on employees job satisfaction level in Dashen Bank S.C. Employees of Dashen Bank S.C. working at the head office were considered as target population for this study.

This chapter presents analyses of the data. The survey included two major sections: general information and employees' opinion regarding factors affecting of job satisfaction. The composite results regarding respondents' personal and specific information were calculated and

presented using the tables below. In view of that, the following discussions were made to indicate the results.

#### 4.2. Response Rate

Questionnaires were distributed to the randomly selected employees of Dashen Bank head office branches located in Addis Ababa. However, only 260 questioners were collected. Hence, the response rate of this study is 97% percent.

**Table 5: Response Rate**

Questioners	Employees	
	Respondents	Valid percentage
Returned	260	97%
Not-returned	8	3%
Total	268	100%

Source: Survey result (2023)

#### 4.3. Demographic Profiles of Respondents

The biographical characteristics of the sample of respondents are presented in order to get a clear picture of the sample. Demographic variables that were measured from the respondents were sex, age, profession, educational background, and work experience with in the Bank.

**Table 6: Demography Information**

No.	Background	Distribution	Frequency	Percentage
1	Gender	Male	116	44.6
		Female	144	55.4
		Total	260	100
		20-30 Yr	85	32.7

2	Age	31-40 Yr	145	55.8
		>41 Yr	30	11.5
		Total	260	100.0
3	Marital Status	Single	186	71.5
		Married	63	24.2
		Divorced	6	2.3
		Widowed	5	1.9
		Total	260	100.0
4	Educational Qualification	Degree	226	86.9
		MSc	33	12.7
		PHD	1	.4
		Total	260	100.0
5	Work Experience	0- 2	83	31.9
		2-5	110	42.3
		5-8	45	17.3
		>8	22	8.5
		Total	260	100.0
6	Job position	management	19	7.3
		clerk	55	21.2
		officer	186	71.5
		Total	260	100.0
7	Monthly Income	10500-12000	55	21.2
		12000-16000	114	43.8
		16000-24000	71	27.3
		>35000	20	7.7
		Total	260	100.0

**Source: Computed & compiled from the SPSS 20 output analysis result 2023**

### **Gender Distribution of the respondents**

As indicated in the table above, 116(44.5%) of the respondents were male and 144(55.4%) of the respondents were Female. which indicates that there are more female employees than male; but it is a good proportion.

### **Age Distribution of respondent**

In the above table 2 item number two shows that the age of the majority of the respondents the sample population age distribution was clearly depicted Majority of respondents numbering 145(55.8%) are between the age of 31 and 40 the rest 85(32.7%) are between the age of 20 and 30and 30(11.5%) are over the age of 41.

### **Marital Status of the respondent**

In the above table 2 item number three shows that the Majority of respondents are single which is 186(71.5%) and the rest 63(24.2%) are married, 5(1.9%) are widowed and 6(2.3%) are divorced.

### **Level of education of respondent**

As indicated in the table above, 33(12.7%) of the respondents were on the level of M.A/M.Sc degree, 225(86.9%) of the respondents were on the level of B.A/ B.Sc degree, and 1(0.4%) of the respondents were on the level of PHD. This shows that the bank has employees of different educational level but more of from the B.A/ B.Sc degree. Since the majority of the respondents are educated, it is possible to that almost all employees are capable of understanding and answering the questions in questionnaires.

### **Total years experiences of respondent**

As indicated in the above table, 83(31.9%) of the respondents were experienced up to 0-2 years, 110(42.3%) of the respondents were experienced in between 2-5, 45(17.3%) of the respondents were experienced in between 5-8 and 22(8.5%) of the respondents are a senior staffs having experience >8 yr in the organization. This implies that the organization is dominated by employees who have been working less than five years and have few years of experience. Generally this report show us the bank has a full of junior staffs and it indicates that there is a high turnover.

### **Job Position of respondent**

As shown in the above table, 19(7.3%) of the respondents are working in the management level from the listed level, 55(21.2%) of the respondents are on the position of clerk and 186(71.5%) of the respondents are officer.

### **Monthly Income of respondent**

As shown in the above table, 55(21.2%) of the respondents income are 10500-12000, 114 (43.8%) of the respondents income are between 12000-16000 birr, 71 (27.3) of the respondents income are between 16000-24000 birr and 20(7.7%) of the respondents income are greater than 35000.

#### 4.4. Descriptive analysis

According to Agresti (2002) statistical methods for variables of one type can also be used with variables at higher levels but not at lower levels. Analysts often utilize the quantitative nature of ordinal variables by assigning numerical scores to categories or assuming an underlying continuous distribution. The analysis on Table 9 shows that descriptive statistics (mean and standard deviation) for level of job feeling dimensions. For the purposes of this study, this cut-off score was used to differentiate level, with scores below 3.39 indicating a low level, scores between 3.40 and 3.79 moderate level and scores above 3.8 a high level.

**Table 7: The Effect of Payment/Salary on employee job satisfaction**

	Descriptive Statistics							
	N	SD	D	N	A	SA	Mean	Std. Deviation
I am satisfied with my pay rate	260	120	127	0	5	8	1.67	.842
My monthly income is enough compared to my skill.	260	129	114	2	9	6	1.65	.855
Do you think the current pay system enhances employee's morale	260	114	124	9	7	6	1.72	.844
I believe that I can Survive with my income in the present time.	260	113	134	0	8	5	1.68	.796
Valid N (listwise)	260							

**Source: researcher's survey data from SPSS analysis result 2023**

The means and standard deviations among the variables of the study are shown in the above descriptive statistics Table. Descriptively, the mean or the average response of the respondents about the degree of satisfaction with their level of their I am satisfied with my pay rate was 1.67 (SD=.842) on a 5-point scale. This indicates that the majority of the respondents were not satisfied with the pay rate the bank gives them.

The mean or the average response of the respondents about the degree of satisfaction with the level of My monthly income is enough compared to my skill was 1.65(SD=.855) on a 5-point scale. This indicates that the majority of the respondents were not satisfied with their monthly income in the bank.

The mean or the average response of the respondents about Do you think the current pay system enhances employee’s morale was 1.72(SD=.844) on a 5-point scale. This indicates that the majority of the respondents were not satisfied with the current pay system in the bank.

The mean or the average response of the respondents about I believe that I can Survive with my income in the present time was 1.68 (SD=.796) on a 5-point scale. This indicates that the majority of the respondents were not satisfied with their ability to survive with their income in the bank.

**Table 8: The Effect of Bonus on employee job satisfaction**

	Descriptive Statistics							
	N	SD	D	N	A	SA	Mean	Std. Deviation
Bonus should be given based on achievement of organizational goals	260	125	121	0	9	5	1.65	.818
Your Bank annual employee bonus is given based on individual performance	260	114	131	3	10	2	1.67	.754
The bonus plan encourages to perform better	260	119	127	0	9	5	1.67	.814
Satisfied with the bonus/tip/reward in the organization	260	106	142	0	10	2	1.69	.734
Valid N (listwise)	260							

**Source: researcher’s survey data from SPSS analysis result 2023**

The mean or the average response of the respondents about the degree of satisfaction with their level of their Bonus should be given based on achievement of organizational goals was 1.65 (SD=.815) on a 5-point scale. This indicates that the majority of the respondents were not satisfied and the bank did not give bonus based on achievement of bank goals.

The mean or the average response of the respondents about the degree of satisfaction with the level of Your Bank annual employee bonus is given based on individual performance was 1.67(SD=.754) on a 5-point scale. This indicates that the majority of the respondents were not satisfied, and the bank did not apply a bonus policy based on individual performance,

The mean or the average response of the respondents about The bonus plan encourages to perform better was 1.72(SD=.844) on a 5-point scale. This indicates that the majority of the

respondents were not satisfied with the bonus plan and that it did not motivate employees to perform better in the bank.

The mean or the average response of the respondents about Satisfied with the bonus/tip/reward in the organization was 1.69 (SD=.734) on a 5-point scale. This indicates that the majority of the respondents were not satisfied with bonus/tip/reward in the bank.

**Table 9: The Effect of Promotion on employee job satisfaction**

Descriptive Statistics								
	N	SD	D	N	A	SA	Mean	Std. Deviation
The organization has offered me a chance of working on higher level of position	260	134	108	5	7	6	1.63	.845
My organization appreciates the work I am doing and gives me enough recognition at work.	260	115	132	0	8	5	1.68	.798
My organization arranges continuous training and development programs to enable my professional growth	260	116	132	0	10	2	1.65	.743
There is fair and transparent carrier development system in the organization.	260	110	137	1	9	3	1.68	.756
Valid N (listwise)	260							

**Source: researcher’s survey data from SPSS analysis result 2023**

Descriptively, the mean or the average response of the respondents about the degree of satisfaction with their level of The organization has offered me a chance of working on higher level of position was 1.63 (SD=.845) on a 5-point scale. This indicates that the majority of the respondents were not satisfied, and the bank did not offer promotion in the high position.

The mean or the average response of the respondents about the degree of satisfaction with the level of My organization appreciates the work I am doing and gives me enough recognition at work was 1.68(SD=.798) on a 5-point scale. This indicates that the majority of the respondents were not satisfied, and the bank did not give them recognition at work.

The mean or the average response of the respondents about My organization arranges continuous training and development programs to enable my professional growth was 1.65(SD=.743) on a 5-

point scale. This indicates that the majority of the respondents were not satisfied with the bonus plan and that it did not support employee’s professional growth through training and development.

The mean or the average response of the respondents about There is fair and transparent carrier development system in the organization was 1.68 (SD=.756) on a 5-point scale. This indicates that the majority of the respondents were not satisfied and there is no fairness and transparency on the bank carrier development system.

**Table 10: The Effect of Incentive on employee job satisfaction**

Descriptive Statistics								
	N	SD	D	N	A	SA	Mean	Std. Deviation
When I do a good job I receive an incentive for that	260	69	178	0	12	1	1.84	.678
I believe that incentive systems encourages job performance improvement	260	93	149	0	13	5	1.80	.833
I already received an incentive for my excellent work	260	106	137	4	8	5	1.73	.804
Dashen Bank S.C incentive is equitable with other similar Banks	260	77	170	1	9	3	1.81	.713
Valid N (listwise)	260							

**Source: researcher’s survey data from SPSS analysis result 2023**

The mean or the average response of the respondents about the degree of satisfaction with their level of their When I do a good job I receive an incentive for that was 1.84 (SD=.678) on a 5-point scale. This indicates that the majority of the respondents were not satisfied, and the bank did not give incentive for a good job.

The mean or the average response of the respondents about the degree of satisfaction with the level of I believe that incentive systems encourages job performance improvement was 1.80(SD=.833) on a 5-point scale. This indicates that the majority of the respondents were not satisfied, and the bank incentive system is weak.

The mean or the average response of the respondents about I already received an incentive for my excellent work was 1.73(SD=.804) on a 5-point scale. This indicates that the majority of the respondents was not satisfied and did not receive incentive for excellent work.

The mean or the average response of the respondents about Dashen Bank S.C incentive is equitable with other similar Banks was 1.81 (SD=.713) on a 5-point scale. This indicates that the majority of the respondents were not satisfied and the bank incentive policy not competitive with similar industry.

**Table 11: The Effect of Health care on employee job satisfaction**

	Descriptive Statistics							
	N	SD	D	N	A	SA	Mean	Std. Deviation
Your bank employees have health insurance or free medical care	260	104	144	0	10	2	1.70	.732
Your bank's employees have access to any health facilities in case of accident or injury at work	260	105	131	11	7	6	1.76	.841
I know my company cares about me as a human being because of my employee benefits	260	106	138	2	13	1	1.71	.754
I am satisfied with the level of health insurance provided	260	106	125	16	10	3	1.77	.821
Valid N (listwise)	260							

**Source: researcher's survey data from SPSS analysis result 2023**

The mean or the average response of the respondents about the degree of satisfaction with their level of their Your bank employees have health insurance or free medical care was 1.70(SD=.732) on a 5-point scale. This indicates that the majority of the respondents were not satisfied, and the bank did not give health insurance for a good job.

The mean or the average response of the respondents about the degree of satisfaction with the level of Your bank's employees have access to any health facilities in case of accident or injury at work was 1.76(SD=.841) on a 5-point scale. This indicates that the majority of the respondents were not satisfied in the health facility.

The mean or the average response of the respondents about I know my company cares about me as a human being because of my employee benefits was 1.71(SD=.754) on a 5-point scale. This indicates that the majority of the respondents was not satisfied and the employee believe the bank have not cared about their employees.

The mean or the average response of the respondents about I am satisfied with the level of health insurance provided was 1.77 (SD=.821) on a 5-point scale. This indicates that the majority of the respondents were not satisfied.

**Table 12: Job satisfaction measure**

Descriptive Statistics								
	N	SD	D	N	A	SA	Mean	Std. Deviation
Compensation have a direct impact on employee job satisfaction	260	25	27	2	119	87	3.83	1.265
The current compensation and benefit policy is ineffective in improving employee satisfaction	260	7	11	2	140	100	4.21	.873
The bank did not periodically evaluate the effectiveness of the compensation and benefits package in motivating employees	260	3	17	0	151	89	4.18	.824
I am not happy to work for the bank for the next five years	260	6	7	2	139	106	4.28	.810
Valid N (listwise)	260							

**Source: researcher’s survey data from SPSS analysis result 2023**

The mean or the average response of the respondents about Compensation have a direct impact on employee job satisfaction was 3.83(SD=1.265) on a 5-point scale. This indicates that the majority of the respondents are agreed.

The mean or the average response of the respondents about the degree of satisfaction with the level of the current compensation and benefit policy is ineffective in improving employee satisfaction was 4.21(SD=.873) on a 5-point scale. This indicates that the majority of the respondents are agreed and the bank has not effective compensation and benefit policy.

The mean or the average response of the respondents about The bank did not periodically evaluate the effectiveness of the compensation and benefits package in motivating employees

was 4.18(SD=.824) on a 5-point scale. This indicates that the majority of the respondents was agreed.

The mean or the average response of the respondents about I am not happy to work for the bank for the next five years was 4.28(SD=.810) on a 5-point scale. This indicates that the majority of the respondents were agreed and they have intention to leave the bank.

In general, most of employees of the bank expressed their dissatisfaction with payment, promotion, bonus, incentive and health care policy. However, they have clearly showed their job dissatisfaction.

## **CHAPTER FIVE**

### **SUMMERY, CONCLUSION AND RECOMMENDATION**

The purpose of this study was to assess the cause of compensation and benefit practice on employees job and based on the previous chapters, presented the analysis of the findings and discussions of the study. This chapter includes summary, conclusions and recommendations of the study.

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

Job satisfaction will be defined as mental state of how a personal feel towards work, in other words, it's people's feelings and attitudes about kind of intrinsic and extrinsic elements towards jobs and therefore the organizations they perform their job.

The problem of most banks within the private sector in Ethiopia is to satisfy their workers to reinforce productivity and maximize profit. Over the years, banks are affected by low productivity, ineffectiveness, inefficiency, and lack of growth. The studies try to address the following research questions:

- Which type of compensation and benefit packages contribute to employees' job satisfaction in Dashen Bank S.C
- What is the job satisfaction of employees towards compensation and benefit policy?
- What are the possible areas of improvement for sustainable competitiveness and growth of the Dashen Bank S.C.
- How the current compensation scheme of the Bank was perceived by employees in terms of job satisfaction.

Pursuant to the above research questions, the study has formulated the general and specific objective to successfully accomplish the research. The general objective of the study is: "to examine the impacts of compensation and benefits on employee's job satisfaction". And the specific objectives emanated from this are to:

- To examine the compensation and benefits package currently in place in the bank.
- To examine the job satisfaction of employees towards the compensation and benefit policy of the bank.
- To identify the type of benefits that most and least favored by employees.
- To identify the possible areas of improvement for sustainable competitiveness and growth of the bank.

The research significance is to the bank, to the other researchers and to the management in order to give an in-depth highlight as a reference and made an appropriate decision and change for the betterment of the bank.

Job satisfaction may be a pleasurable or positive spirit resulting from the appraisal of one's job or job experience. Spector (1997) defines job satisfaction as an extent to which individuals like or dislike their jobs.

The research has formulated five hypotheses by regarding factors that has a direct relationship with job satisfaction. It has attempted to find a correlation among them.

The research approach to gather the relevant data is through the uses of both primary and secondary data sources. The primary data through designing a structured closed end questionnaire to the staffs. And the secondary data is through refereeing publications and other researches done on the area. The study used quantitative research methods for data analysis.

The scope of the research was limited to the target population of 810 staffs in Dashen Bank S.C found in Addis Ababa. Simple random sampling technique.

The sample size for this research is drown using the following formula which was developed by Yamane tare (1967) and only 268 employees were being selected among 810 employees chosen and an additional 10 questioners is used for safety.

Validity refers to the extent to which a test measures what we wish to live while Reliability should do with the accuracy and precision of a measurement procedure. The reliability of the survey questionnaire is going to be tested using Cronbach's Alpha.

Cronbach's alpha is a coefficient of reliability and is a measure of internal consistency. Ideally, the Cronbach's alpha coefficient of a scale should be above 0.80. Content validity is ensured using pilot-test with Scale Reliability Cronbach Alphas coefficients for job satisfaction items is 0.904. Therefore, the expected scales utilized in this study demonstrate high reliability.

## **5.2. Conclusions**

Job satisfaction is one of the significant issues in companies to become competitive and enhance the performance of the organization. A higher level of job satisfaction will increase motivation of the employees in their daily work. On the other hand, job dissatisfaction will decrease motivation and adversely affects the organizations performances. According to the different literatures, it was found out that there are many factors that contribute to the employees' job satisfaction. This study however shows pay, bonus, promotion, incentive and health care affects positively the level of job satisfaction. The study aimed to determine the cause of the impacts of compensation and benefits on employee's job satisfaction at Dashen Bank S.C. The survey has indicated that the majority of employees reported that they were dissatisfied with their job.

As per findings of the study the factors that affect job dissatisfaction from high to low are: shows pay, bonus, incentive and promotion. However, the survey revealed that the Health care has no significance toward job dissatisfaction.

On the other hand, the extent of employee job dissatisfaction affects bank performance based on the findings mentioned above the bank give much emphasis shows pay, bonus and promotion so as to maximize performance of employees.

### **5.3. Recommendations**

The findings of the study showed shows pay, bonus, incentive and promotion showed that the significant relationship with employees' job dissatisfaction in Dashen Bank S.C. Hence, focusing and properly managing and forwarding necessary action on these indicators could reduce the level of job dissatisfaction.

Based on the findings of the study the following possible recommendations are forwarded:

- Pay: Based on the research finding the next point is to assess to increasing payment and benefit package above or similar to the banking industry. Hence, a financial incentive for the society like was the determinant factor in all decisions.
- To make employees highly productive on their work, the bank should motivate by providing composition packages for employees in providing reward like bonus, health care and other incentives
- Promotion (Training and Development): company management need to encourage employees to learn and develop themselves to realize their potential in order to increase engagement and satisfaction. In addition, give employees internal and external training opportunities, mentoring, and encourage staff to always improve their skills.
- The bank should work on giving the opportunity to all employees in order to participate in compensation and benefit decision-making process. This can increase the employees' job satisfaction.
- The Bank should work hard on the compensation and benefit package to make that capable of attracting and retaining competent employees. This will increase the employees' job satisfaction and help the bank to get competent employees. package have

higher levels of commitment and satisfaction at work. Higher levels of employee satisfaction lead to a good working

Furthermore, providing better and interesting compensations practices by an organization to their employees enhance employee satisfaction. Employees who have a good compensation environment. It can be therefore being suggested that the organization should have to retain appropriate employees by ensuring their pay and benefits in making better and interesting as to their competitors computing in the banking industry. In so doing, employee satisfaction is attained and the employees remain committed to the organization.

Track job satisfaction: managers need further to offer surveys or questionnaires' on how employees feel about shows bonus, promotion, incentive and health care feedback and other relevant aspects that contribute to employee satisfaction. This allows the company to improve and monitor satisfaction levels to reduce turnover and save the company.

The progress that will be achieved in the business will directly help the sector as developmental efforts will increase. In such conditions, the sector will be able to handle the minor problems prevailing as it will be in a strong state to deal with them. The benefits of providing a good working environment to the employees are tremendous for both the organization and its employees.

#### **5.4. Future Research Direction**

Future Research Recommendations for the study chose particular variables to explore how Dashen Bank S.C.'s compensation and benefit practices affected employees' work satisfaction. There are a number of variables, nevertheless, that were left out of this study. Therefore, it is advised that future researches investigate more variables including working conditions, performance appraisal, rewards, etc. that affect job satisfaction and how they affect performance.

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## Appendix

### QUESTIONNAIRE

#### ST MARRY UNIVERSITY MASTERS OF BUSINESS ADMINISTRATION PROGRAM QUESTIONNAIRE TO BE FILLED BY EMPLOYEES OF DASHEN BANK S.C

I am **Anetneh Demeash** currently pursuing my Masters of Business Administration (MBA) at Saint Mary University. As a partial fulfillment towards the completion of my post graduate degree, I am researching on “**The Effect of Compensation and Benefit Practice on Employees Job Satisfaction In The Case Of Dashen Bank S.C**”. Hence, I kindly request you to fill this questionnaire while assuring you that the information that you provide will be treated with confidentiality and shall only be used for the purpose of this academic research. I would like to thank you in advance for your co-operation and for sacrificing your valuable time.

*N.B:* 1. You don't need to write your name.

2. The researcher has scheduled to get the filled questionnaire back within three days.

3. All information given would be treated with utmost confidentiality.

#### Part I

##### Basic Demographic Data

Please fill in the blanks, and put this mark (√) to indicate your choice for those items that have alternative responses.

1 Gender

A. Male  B. Female

2. Age

A.18 – 25  B.26 – 35  C.36-45  D.46-55  E.56-60

3. Educational background;

A. Diploma  B. First Degree  C. Master's Degree  D. Above masters

4. Marital Status:

A. Married  B. Single  C. others

5. Please indicate your position, in the bank

Job position \_\_\_\_\_

6. How long have you been working in the bank?

A. below 1 year  B. 2-4 years  C.5-7 years  D. 8-11 years

Please indicate your level of agreement with the statements given below. 1= Strongly Disagree,

2=Disagree, 3= Neutral, 4= Agree, 5=strongly Agree

<b>II.</b>	<b>Pay</b>	1	2	3	4	5
1	I am satisfied with my pay rate					
2	My monthly income is enough compared to my skill.					
3	Do you think the current pay system enhances employee's morale					
4	I believe that I can Survive with my income in the present time.					
<b>III.</b>	<b>Bonus</b>					
1	Bonus should be given based on achievement of organizational goals					
2	Your Bank annual employee bonus is given based on individual performance					
3	The bonus plan encourages to perform better					
4	Satisfied with the bonus/tip/reward in the organization					
<b>IV</b>	<b>Promotion</b>					
1	The organization has offered me a chance of working on higher level of position					
2	My organization appreciates the work I am doing and gives me enough recognition at work.					
3	My organization arranges continuous training and development programs to enable my professional growth					
4	There is fair and transparent carrier development system in the organization.					
<b>V</b>	<b>Incentive</b>					
1	When I do a good job I receive a incentive for that					
2	I believe that incentive systems encourages job performance improvement					

3	I already received a incentive for my excellent work					
4	Dashen Bank S.C incentive is equitable with other similar Banks					
<b>VI</b>	<b>Health care</b>					
1	Your bank employees have health insurance or free medical care					
2	Your bank's employees have access to any health facilities in case of accident or injury at work					
3	I know my company cares about me as a human being because of my employee benefits					
4	I am satisfied with the level of health insurance provided					
<b>VII</b>	<b>Job Satisfaction</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Compensation have a direct impact on employee job satisfaction					
2	The current compensation and benefit policy is ineffective in improving employee satisfaction					
3	The bank did not periodically evaluate the effectiveness of the compensation and benefits package in motivating employees.					
4	I am not happy to work for the bank for the next five years.					