



SCHOOL OF GRADUATE STUDIES

**EFFECTS OF COMPENSATION MANAGEMENT SYSTEM ON
EMPLOYEES' COMMITMENT THE CASE OF COMMERCIAL BANKS
OPERATING IN WOLKITE CITY**

AMIR NUR

ADVISOR: TILAHUN KIDANE (PHD)

COLLEGE: BUSINESS AND ECONOMICS

DEPARTMENT: MANAGEMENT

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WOLKITE, ETHIOPIA

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**A THESIS SUBMITTED COLLEGE OF BUSINESS AND ECONOMICS
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AMIR NUR

ADVISOR: TILAHUN KIDANE (PHD)

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APPROVAL SHEET
School of Graduate Studies

**Effects Of Compensation management System On Employees’
Commitment The Case Of Commercial Banks Operating In Wolkite
Town**

As mentioned on the Board of Examiners of the MA thesis open defense examined. We certified that we have read and evaluated the thesis prepared by Amir Nur and examined the candidate. We recommend that the thesis be accepted as fulfilling the thesis requirements for the degree of Business Administration

Approved by Board of Examiners:

Major Advisor	Signature	Date
Tilahun Kidane (Phd)	_____	_____

Co-Advisor	Signature	Date
_____	_____	_____

External Examiner	Signature	Date
Shimels Zewdie (Phd)		May 25, 2025

Internal Examiner	Signature	Date
_____	_____	_____

Chairperson	Signature	Date
_____	_____	_____

DECLARATION

I declare that this work has not be previously submitted and approved for the award of a degree by this or any other university. I, Amir Nur, have carried out a research proposal on “Effects Of Compensation management System On Employees’ Commitment The Case Of Commercial Banks Operating In Wolkite Town”. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Name: Amir Nur Signature: _____ Date: _____

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ABSTRACT

Employee commitment is a critical factor influencing organizational success, yet many organizations struggle to retain a dedicated workforce due to ineffective compensation strategies. Compensation elements such as premium pay, job-related incentives, fringe benefits, and basic pay play a vital role in fostering employee commitment. However, there is limited empirical evidence on how these factors specifically impact commitment in the Ethiopian context. This study aimed to examine the effect of compensation components on employee commitment, focusing on premium pay, job-related incentives, fringe benefits, and life insurance. A quantitative research approach was employed, using a structured survey to collect data from 150 employees from commercial banks in wolkite town. The collected data were analyzed using descriptive statistics, correlation analysis, and multiple regression analysis to determine the relationship between compensation components and employee commitment. The results revealed that premium pay, job-related incentives, fringe benefits, and life insurance significantly influenced employee commitment. Premium pay was found to enhance job satisfaction and retention, while job-related incentives boosted motivation and engagement. Fringe benefits, including health coverage and retirement plans, contributed to employees' long-term commitment. health and insurance benefits provided financial security, reducing employees' stress and improving their trust in the organization. Based on the findings, it is recommended that organizations adopt well-structured compensation policies that align with industry standards to enhance employee commitment. Specifically, competitive salary structures, meaningful performance-based incentives, comprehensive fringe benefits, and adequate life insurance coverage should be implemented. Organizations should also ensure transparency and effective communication regarding compensation policies to improve employee satisfaction and loyalty. By addressing these factors, organizations can create a more motivated and committed workforce, ultimately leading to higher productivity and organizational success.

Keywords: *Employee commitment, Compensation strategies, Premium pay, Job-related incentives, Fringe benefits, Life insurance*

CHAPTER ONE

1.1. INTRODUCTION

1.1. Background of the study

In today's competitive and dynamic business environment, organizations must obtain employee commitment in order to achieve long-term success. Employee commitment is responsible for maximizing productivity, reducing turnover, and maximizing overall organizational performance. Literature has proven that one of the greatest determinants of employee commitment is a good compensation management system, in which employees are fairly compensated for work performed (Daniel, 2019; Armstrong, 2020). Compensation ranks highest in employee motivation as a good and competitive salary rate fosters the sense of belongingness and attachment to the organization (Alex et al., 2021). Without a compensation system, employees may feel undervalued, leading to low job satisfaction and motivation (Kifordu & Uroko, 2023).

Compensation management is the strategic planning and implementation of compensation schemes, benefits, and rewards to offer employees adequate and competitive compensations. Compensation management is a mix of monetary and non-monetary compensations, i.e., wages, bonuses, promotions, medical benefits, retirement plans, and paid vacations (Saharuddin et al., 2020). A study by Obiese (2023) identified that compensation directly influences the retention of employees, with firms offering market-based compensation and benefits most likely to retain staff for longer periods. Moreover, studies have shown that firms with undesirable compensation practices witness high turnover and low staff morale (Dunmade et al., 2022).

Perhaps one of the greatest challenges organizations face today is the commitment of employees in the face of shifting market demands and workers' expectations. Employee commitment is the emotional affiliation and sense of belongingness among employees towards the organization, directly affecting their performance and willingness to contribute positively (Kifordu & Uroko, 2023). Recent research by Daniel (2022) indicates that pay is among the strongest determinants of employee commitment, as it directly affects employee satisfaction and motivation. Employees who believe that their compensation is fair and justifiable compared to the effort they exert are more committed and perform at their optimal best (Armstrong, 2020; Alex et al., 2021).

Compensation is not only a financial obligation but also a strategic tool for enhancing employee morale and motivation at work. Organizations adopting well-designed compensation systems enhance a positive working environment, leading to higher job satisfaction and organizational effectiveness as a whole (Kifordu & Uroko, 2023). Studies have demonstrated that employee contributions are rewarded more effectively when they are paid fairly, which results in higher job involvement and discretionary effort (Dunmade et al., 2022; Obiese, 2023). Inefficient compensation management leads to job dissatisfaction, low productivity, and higher absenteeism rates (Saharuddin & Hasrul, 2020). Organizations must, therefore, constantly analyze their compensation schemes and enhance them to match employees' expectations and prevailing industry levels.

This study was examined the effect of compensation management on employees' commitment in commercial banks in Wolkite city. It was assess the effect of direct compensation elements, such as salary and incentives, and indirect compensation, such as health insurance and pension plans, on employees' level of commitment. Previous research has emphasized the significance of general compensation approaches in shaping the attitudes and behaviors of employees in the workplace (Saharuddin et al., 2020; Obiese, 2023). With a focus on these factors, the research will provide valuable insight into how commercial banks in Wolkite Town can enhance their compensation policies to drive a more dedicated and driven workforce.

1.2 Statement of the Problem

The employee commitment is also a key driver of organizational effectiveness, particularly for the bank, whose customers' satisfaction is dependent on employees' motivation and the overall performance of the organization (Gupta & Sharma, 2023). Pay is also a key factor in motivating employee commitment by influencing motivation, job satisfaction, and employee retention (O'Reilly & Pfeffer, 2023). Performance-based reward schemes seek to achieve workers' commitment through rewarding-contribution consistency, as quoted by Martocchio (2022), who believed that human resource managers would both within and outside the company hold fair remuneration. More recent research, such as Saputri (2018), established positive and significant correlations between remuneration and employees' performance, while Siddiqi and Tahmeem (2018) evidenced its influence on workers' commitment. But the extent to which pay impacts commitment varies by industry and region.

Globally, compensation has been identified as a key driver of employee commitment. In the United States, Europe, and Asia, studies indicate that firms with formalized compensation policies experience

higher commitment and reduced turnover (Barney & Wright, 2023). Marcus (2017) indicates that greater job involvement through adequate compensation results in better work performance and increased employee commitment. Further, Sukidi and Wajdi (2016) found that compensation significantly influences commitment and performance, validating the argument that better-compensated employees are more committed to organizations. In manufacturing and service industries, research has established that different pay structures, including base pay, incentives, and benefits, influence work commitment, which, in turn, impacts employee engagement (Kuvaas, 2016; Saha, 2016). These studies, though, are based mostly on developed economies with solid compensation systems, so there is still a void regarding compensation dynamics in emerging economies.

In the African context, studies have revealed that compensation systems in many organizations are inadequate, leading to low levels of employee commitment. Research in Nigeria and Kenya has demonstrated that wage disparities and poor benefits significantly contribute to high labor turnover (Okafor et al., 2023). Mustapha and Zakaria (2013) noted that while compensation packages are designed to enhance job satisfaction, many African firms struggle to implement equitable remuneration structures due to economic instability. Saeed et al. (2013) emphasized that the effectiveness of compensation in driving commitment depends on other factors, such as organizational culture and leadership style, which remain underexplored in the African banking sector.

Within Ethiopia, the banking industry is faced with a historical issue of high employee turnover due to discontent with salary packages. Tessema and Gebremariam (2021) verified through studies that workers commonly move from bank to bank. Wondimu et al. (2023) verified that employees' remuneration packages in Ethiopian banks are not satisfactory, thereby leading to diminishing commitment and performance. Mesfin and Tesfaye (2022) documented that remuneration in Ethiopian banks is not sufficiently adjusting for the increasing cost of living, leading to dissatisfaction among staff. In addition, Kebede (2022) pointed out that although studies on remuneration and staff commitment have been conducted for Addis Ababa banks, little has been analyzed on the subject of these variables in towns outside Addis Ababa, such as Wolkite.

Despite the existing literature, there is a crucial research gap in understanding the determinants of employee commitment in regional banking institutions, particularly in Wolkite city. While there is some research conducted on compensation in urban financial institutions, not much is understood on how compensation policy influences employee commitment in small towns where economic conditions and job opportunities are substantially different. This study aims to bridge this gap by investigating the relationship between remuneration and employee dedication in

Wolkite commercial banks, with the vision of clarifying how remuneration management schemes can be remodeled to enhance dedication and reduce turnover.

1.3 Research questions

Based on the above identified research gaps, the following specific research questions were devised;

1. What is the effect of premium pay on employee commitment?
2. How do job-related incentives (such as basic pay, bonuses, and gift rewards) impact employee commitment?
3. What is the effect of fringe benefits on employee commitment?
4. What is the role of health and insurance coverage in enhancing employee commitment?
5. How does the effect of basic pay on employee commitment?
6. Do retirement and severance packages influence employees' long-term intention to stay with the organization?

1.4 Objective of the Study

1.4.1 General Objective

The primary objective of this study is to assess the effect of compensation management systems on employee commitment in the commercial banks operating in Wolkite Town.

1.4.2 Specific Objectives

The study aims to achieve the following specific objectives:

1. To examine the effect of premium pay on employee commitment
2. To investigate the impact of job-related incentives such as special bonuses, and gift rewards on employee commitment
3. To assess the influence of fringe benefits on employee commitment
4. To analyze the role of health insurance in enhancing employee commitment
5. To evaluate the effect of basic pay on employee commitment
6. To explore the impact of retirement and termination benefits on employee commitment.

1.5 Significance of the Study

This study is significant since it addresses the critical issue of employee commitment within commercial banks, specifically how systems of compensation management influence employee commitment. Given that the banking industry within Wolkite Town is highly competitive, the findings will be informative to bank managers and human resource managers regarding how they should structure their compensation package so as to foster employee loyalty, reduce turnover, and increase productivity overall. Through the identification of the specific compensation elements such as premium pay, job-incentives, and fringe benefits that most enhance worker commitment, the research will help design more strategic compensation structures attuned to organizational goals. Furthermore, the findings could be part of ensuring competent workers in Wolkite Town's financial institutions remain there, thus leading to long-term organizational achievement.

Additionally, the research will contribute to the literature on compensation management in the Ethiopian context, where empirical research on the relationship between compensation systems and employee commitment in general, and in the banking sector specifically, is limited. In this sense, the research will improve the state of knowledge and serve as a foundation for further research in this area. Policymakers, universities, and organizations can use the results of the study to formulate better compensation policies that enhance employee satisfaction and organizational performance. Lastly, the results can also guide other sectors beyond the banking sector, so this study would be worth replicating more broadly in Ethiopia's evolving labor market.

1.6 Scope of the Study

The scope of study is to explore the effect of compensation management systems on employee commitment in the commercial banks of Wolkite Town. The research will be conducted for six months, from November to April 2025, with adequate time for data gathering, analysis, and interpretation. Methodologically, the study was used quantitative in nature, using surveys and questionnaires to gather primary data from human resource managers and bank staff. The geographical location is limited to Wolkite Town, focusing on commercial banks operating within the area so that the findings are contextually specific to the local banking environment.

The study was also considered some of the most important compensation management areas, including premium pay, job-specific incentives, fringe benefits, health insurance, life insurance, and retirement benefits, and their impact on employee commitment.

1.7. Limitation of the Study

There are several limitations to the research. In the first place, the research is geographically confined to Wolkite Town, and as such, the findings cannot be generalized to other countries or other locations. Since the banking sector in Wolkite may have some unique characteristics, the findings would not, hence, portray the general picture of the Ethiopian banking sector, much less internationally. Second, the findings are based on self-report by bank employees and human resource staff, which is liable to biases such as social desirability bias or misperceptions about reward systems. Third, sample size may be small because of time and budget constraints, which reduces the statistical power of analysis. Last but not least, the study focuses on the compensation management-employee commitment link to the exclusion of other variables such as leadership styles and organizational culture that also play a role in employee commitment. Despite these, the study has valuable insights on the compensation-employee commitment nexus in Wolkite's banking sector.

1.8 Organization of the Study

This research will be divided into five chapters. Chapter One provides an introduction to the study, covering the background of the study, the problem statement, the research objectives, the scope of the study, the limitations of the study, and the significance of the study. Chapter Two presents a comprehensive literature review, focusing on the existing body of knowledge regarding the impact of employee compensation on employee commitment, with references to both global and Ethiopian contexts. Chapter Three outlines the research methodology, including the research design, target population, sampling techniques, data collection methods, and the tools used for analyzing the data. Chapter Four presents the data analysis, where the collected data is analyzed and interpreted to assess the impact of compensation management on employee commitment. Chapter Five concludes the study by summarizing the findings, discussing their implications, and providing recommendations for both practice and future research.

1.9 Definition of Terms

Commitment: Commitment refers to the state or quality of being dedicated to a cause or activity, often characterized by a deep engagement or obligation that restricts one's freedom of action (Meyer & Allen, 1997). It signifies the extent to which employees are devoted to their organization, influencing their job satisfaction and overall performance (Agarwal, 2018).

Premium Pay: Premium pay refers to wages provided to employees above their standard earnings for working during special conditions or outside of their usual administrative workweek (Martocchio, 2017). It serves as an incentive for employees to work during irregular hours or under challenging conditions.

Basic Pay: Basic pay is the fixed amount of money an employee earns before any additional earnings, such as bonuses or overtime pay, are included (Siddiqi, 2018). It forms the foundation of an employee's total compensation.

Job-Related Incentives: Job-related incentives refer to rewards or benefits offered to employees to motivate them to achieve specific organizational goals or demonstrate desirable behaviors (Herzberg, 1959). These incentives may include bonuses, gifts, or special recognition.

Compensation: Compensation is the money paid to an employee in exchange for their work, which can include wages, bonuses, or other financial rewards (Milkovich & Newman, 2008). It is a key factor influencing job satisfaction and employee commitment.

Job Satisfaction: Job satisfaction refers to the feeling of fulfillment or enjoyment an employee derives from their job (Locke, 1976). It is closely linked to an employee's commitment to the organization and their overall productivity.

Incentives: Incentives are actions or rewards designed to motivate employees to perform better or achieve specific targets, often through financial or non-financial means (Kuvaas, 2006).

Fringe Benefits: Fringe benefits are supplementary benefits provided to employees in addition to their regular salary or wages. These may include company cars, private healthcare, or subsidized housing (Bamberger & Meshoulam, 2000).

Health Insurance: Health insurance is a type of insurance that pays for medical treatment, including medications and preventative check-ups, for employees and their dependents (Siddiqi, 2018). It is a critical benefit for employee well-being and job satisfaction.

Life Insurance: Life insurance is a policy that provides a cash sum to an employee's beneficiaries in the event of their death, offering financial security to their family members (Siddiqi, 2018).

Retirement: Retirement refers to the process of leaving one's job or ceasing to work after a certain age, often accompanied by the commencement of pension benefits (Agarwal, 2018). It is an important phase in an employee's career lifecycle, influencing long-term job satisfaction.

Termination of Employment: Termination of employment refers to the end of an employee's work relationship with an organization, either due to voluntary resignation, retirement, or involuntary dismissal (Siddiqi, 2018).

Welfare Benefits: Welfare benefits are government-sponsored assistance programs aimed at providing financial support and resources to individuals and families in need, such as healthcare assistance or unemployment compensation (Meyer & Allen, 1997).

Payment: Payment refers to the act of giving money in exchange for goods or services, or as compensation for work performed (Martocchio, 2017). It can include regular wages, bonuses, or other forms of compensation.

Promotion: Promotion involves the advancement of an employee to a higher position within the organization, typically accompanied by an increase in responsibilities, status, and salary (Herzberg, 1959). It is a key factor in employee motivation and commitment.

Recognition: Recognition is the act of acknowledging and publicly appreciating the contributions and achievements of employees (Siddiqi, 2018). It plays an essential role in enhancing employee morale and fostering a positive organizational culture.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. The concept of compensation management

Compensation management is one of the most fundamental human resource practices in management and a major subject of importance in the general field of management. This is no surprise considering the fact that most, if not all, employees accept job opportunity mostly because of the kind of financial and non-financial benefits attached to it. The concept of compensation management aims at rewarding employees with equity and fairness consistently, according to their values and contributions to the organization (Armstrong, 2017). It implies the formulation, implementation and management of policies and strategies that is aimed at attracting, retaining and motivating qualified employees to be more committed to the achievement of organizational goal and objectives (Petera, 2011).

Compensation management can be use for a variety of purposes to further the success and existence of the company. By offering an attractive compensation package, organization can motivate employee's commitment and also attract the best talent available in the job market. The payment of compensation in exchange for the contributions provided by employees is important in defining the employment relationship (Gerhart, 2023). Because of liberalization, globalization and privatization, the workforce has become highly mobile. The practice of lifelong employment and commitment between the employer and the employee which was practiced in some economies of the world (William Ouchi's Theory Z) is fast disappearing. Now, employees don't hesitate leaving an organization and joining the other if they are offered better compensation package. Therefore, each organization should design compensation system where qualified and experienced employees not only get attracted but also stays with the organization. Experienced employees may not be motivated to be committed unless they are fairly compensated for their contributions towards the achievement of organizational goals and objectives (Armstrong, 2017).

In an organization, the greatest challenges that confront management are the types and mix of compensation management strategies to be adopted in order to motivate individual employee to be more committed to work. On one hand, an employee may prefer extrinsic reward in terms of attractive pay, bonus and incentive to enhance their commitment; while other employees may be

interested in both extrinsic (attractive pay) and intrinsic rewards (recognition and praise) for certain work accomplishments (Alam, 2012). It is therefore convincing that subjecting an employee to different measures of compensation management can motivate and improve his commitment level to the organization. Therefore, this study is focused on pay-for-performance and skill-based pays as measures of compensation management. Pay-for-performance Employee commitment leads to job performance (Armstrong, 2016).

This implies that there is no performance without commitment. Here, commitment is reflected in employee's attitudes to work such as punctuality, absenteeism and workplace attendance. Workers' attitudes are important to management because it affect organizational behaviour of workers thereby affecting their performance (Uwa, 2021). Right attitudes to work leads to success, wrong attitudes lead to mediocrity or failure for both the business and the people who work for it. As cited in Uwa (2021) Brown, George-Curran and Smith (2018) opines that attitude has a positive and significant influence on job performance. This means that if the employees have a positive work attitude (commitment), the level of job performance will increase. Meanwhile, employee performance involves factors such as quantity, quality and effectiveness of work as well as the behaviors employees show in the workplace (Donohoe, 2019).

Pay-for-performance strategy of compensation management provides proportionate pay to employee's commitment (punctuality, absenteeism and workplace attendance) and effort in achieving organization's objectives. The resultant effect of this commitment is the achievement of pre-specified performance targets and is a fairer approach to compensation management that benefits both the employees and the organizations. It is a system where employee's extra efforts and contributions to the achievement of company's goals and objectives are recognized and compensated (Hewitt, 2019). Pay for performance is a type of compensation system that is based on an employee's contributions to the company (Armstrong, 2017). Pay-for-performance is an efficient technique to inspire and reward employees for being more productive. The benefits include enhanced employee motivation (Gerhart, 2023). Basically, employees and employers largely agree that pay should be based on merit/performance (Kifordu and Uroko, 2023).

It is a compensation strategy where individual's pay increases on his/her extra contributions on performance ratings (Fulmer and Li, 2022). Pay-for-performance is appropriate when organization believes that those employees who are making the most valuable contributions

should receive higher pay in return and this substantially reduce employees' turnover (Gerhart, 2023). Pay is universally valued, and more pay is generally attractive and preferred by employees. In most organization, the ultimate dependent variable when making strategic pay choice is commitment (Gomez-Mejia et al., 2014). Since commitment leads to performance, some of the bases for measuring performance include the accomplishment of a given duty measured against preset standard of; quantity and quality delivery, low cost of execution, low wastages of material, completeness, accuracy, speed and delivery period (Gerhart, 2023).

A salary structure that bases an employee's pay on his expertise, experience, educational qualification, or specialized professional skill is known as skill-based pay (Armstrong, 2017). Skill-based pay is popular in specialized fields like technology, healthcare, arts and crafts. The goal of this type of compensation management dimension is to reward expertise and experience thereby motivating employees to be more committed to the job. Richard and Kang (2018) stated that organizations with standardized job functions often utilize a skill-based pay approach, in which employees' compensation are based on their expertise, dexterity, experiences and the prevailing market rate for the position. Employees who have acquired certain skills are properly compensated. Raising one's degree of expertise may lead to better job prospects and higher pay. Skill-based pay boosts organizational efficiency (Kang and Lee, 2021).

Depending on the organization, the employee may be paid more for obtaining formal technological skills which is skill derived from participation in classroom based activities (Brownson, 2013). Companies can use skill-based pay to examine market and compensation data and establish pay based on the assessed value of a person within an organization. Skill-based compensation management is a pay system in which pay increments are connected to the number of depths of skills an employee obtains and utilizes. It is a method of promoting broader and deeper skills among the workforce. These raises are in addition to, not in place of, general salary. Skill-based pay is a person-based approach rather than a job-based system. Armach (2012) posited that skillbased pay plan is a person-based system that compensates employees who have mastered a certain skill set with higher wages. It recognizes a person for what he can do rather than what the job is worth. However, pay growth is directly related to skills acquired. It aims to compensate employees for the value they provide to their organizations (Kang and Lee, 2021).

It can encourage employees to improve their commitment level (Gerhart and Feng, 2021). In skill-based pay, an employee must possess the ability and skills that extend beyond the existing job prescription. The concept of employee commitment According to Azmi and Ansori (2020), employee commitment is a feeling of identification, involvement, and loyalty expressed by employees towards the organization. It is the emotional attachment and the resulting loyalty of an employee to organization. Based on this understanding, it can be deduced that commitment to the organization involves three attitudes: a sense of identification with the organization's goals, a feeling of being involved in organizational tasks, and a feeling of loyalty to the organization. Unmade, Kadiri, Aun, Bello and Yahaya (2019) describe employee commitment as a psychological bond characterized by individual's feeling of attachment, responsibility, and loyalty to a known organization. It is a force that causes an employee to take to a course of action that is pertinent to a specific goal of the organization. Employees' commitments describe how devoted employees are to their duties and the feelings they have towards the various aspects of their work (Armstrong, 2017).

Generally, Meyer and Allen (1991) opined that there are three main dimensions of commitment namely: affective commitment, continuance commitment and, normative commitment. Affective commitment refers to employees' emotional bond to the organization, perhaps due to the organizational culture, goals and objectives (Torrington et al., 2018). Continuance commitment occurs when an employee is influenced by the salary and other benefits he receives in his present employment and the degree of his involvement and recognition in the company's community compare to the consequences involved if he leaves (Hanson et al., 2023).

Ali and Raza (2015) opined that employees only stay in an organization to give their best when they believe that the compensation is commensurate to their input. This study is focused on employee punctuality to duty post, employee low absenteeism and workplace attendance, employee low turnover and, Loyalty to company's rules and regulations as measures of employee's commitment. Relationship between compensation management and employee's commitment Higher pay levels substantially reduce employees' turnover (Gerhart, 2023). Employees of the organization mostly accept to work because of the compensation packages accrued to their duties. The proposition in expectancy and equity theories suggests that positive workrelated behaviors and attitudes (commitment) largely depends on the employee perceptions

that their employers recognize their contribution and cares about their wellbeing (Baridam, 2021). As a result of this, employees evaluate and react to their compensation within a social context where perceptions of fairness/equity are central. For most employees, compensation received via the employment relationship is their major and only source of income to cater for so many kinds of needs (Leana and Meuris, 2015).

Abdulsalam et al. (2021) has found that pay-for-performance systems can attract and retain the desired talent. A qualified and competent employee, on average, prefers organizations that are fairer and equitable in its compensation system. As organization competitive advantage is typically based on strong human resources, it is crucial for organizations to improve employee commitment to enrich the overall organizational performance. Hence, organizations seriously focus on enhancing positive work-related attitudes and work-related behaviors to unleash the job performance of employees (Meijerink et al., 2018). In this context, several researchers have argued that, it is possible to enhance the positive work-related attitudes and behaviors among employees through pay-for performance compensation management approach. Armstrong (2016) indicates that, pay-for-performance provides a win-win outcome for both employer and employee. Skill-based pay and employee's commitment Skill-based pay provides compensation based on demonstrated expertise. It encourages employees to improve their abilities so as to earn more money and commitment (Kang and Lee, 2021).

2. 2. Compensation

The compensation is a substitute word of wages and salaries and it has recently originated. The literature of wages and salaries' are enormous but it considers the issues from a legal viewpoint. However, wages have now become very significant as a cost factor (Bhattacharyya 2009). Compensation is the remuneration received by an employee in returns of their contribution to the organization. The compensation management is an organized practice which is important for balancing the work and employee relationship by providing monetary and non-monetary compensation to employees. Compensation includes all form of pay given to the employees which arise from the employment. The one of the strapping feature of the organizations is compensation management and they used it to attract and retain the most important and worthy assets. The compensation management is considered to be a complex process which requires accuracy and precision and if not carried out properly may lead to employees' dissatisfaction. An

ideal compensation policy motivates the employees to work harder and with more determination. It also helps the organizations to set the standards for job that it is related, realistic and measurable. Compensation policies should have a sound integration with practices of HRM. One of the key functions of compensation management of any company is to create a hearty competition among the employees in order to attain more efficiently and provide growth opportunities to its employees (Khan, Aslam, Lodhi, 2011).

According to Cascio (1995) the “Compensation includes direct cash payments and indirect payments in form of employees benefits and incentives to motivate employees to strive for higher levels of productivity”. According to Milkovitch and Newman (2005) the “Compensation is all forms of financial returns, tangible services and benefits employees receive as part of an employment relationship.” The phrase “financial returns” refers to an individual's base salary, as well as short- and long-term incentives. “Tangible services and benefits” are such things as insurance, paid vacation and sick days, pension plans, and employee discounts.

2.3 Objectives of Compensation

Compensation serves as a crucial tool for organizations to attract, retain, and motivate employees. One of its primary objectives is to attract talent. Organizations offering competitive compensation packages are more likely to attract highly skilled candidates in the labor market. By providing appealing salary and benefit offerings, organizations can stand out as employers of choice, enhancing their ability to secure top talent (Milkovich & Newman, 2008). This is especially vital in industries or sectors where skilled labor is in high demand. Competitive compensation packages also foster the perception of the organization as a desirable place to work, which, in turn, improves recruitment efforts.

The second key objective of compensation is to retain employees. Once employees are recruited, offering fair and competitive compensation ensures that they remain motivated and loyal to the organization. Adequate and fair compensation is linked to job satisfaction, which significantly impacts employee retention. When employees feel they are being compensated fairly and that their financial needs are met, they are less likely to seek alternative employment opportunities (Agarwal, 2018). Long-term retention of skilled employees contributes to organizational stability and reduces the costs associated with recruitment and training.

Another important objective is to motivate employees to perform at their best. Compensation has a direct impact on employee motivation. By linking compensation to performance, organizations can encourage employees to work harder and achieve higher productivity. Various forms of compensation, such as bonuses, incentives, and performance-based pay, are designed to reward employees for meeting or exceeding organizational goals (Herzberg, 1959). When employees are motivated by the possibility of earning more based on their contributions, they are likely to demonstrate increased commitment and engagement in their work.

Finally, rewarding employee performance is a crucial objective of compensation. A well-structured compensation system recognizes and rewards employees for their hard work, dedication, and achievements. This can be achieved through salary increases, bonuses, promotions, and other performance-linked rewards. Recognizing and rewarding performance not only boosts employee morale but also promotes a culture of high performance within the organization. By reinforcing positive behaviors and outcomes, compensation systems encourage employees to continuously improve and contribute to the organization's success (Kuvaas, 2006).

2.4. Principles of Compensation Formulation

The formulation of a compensation system is essential for creating a fair, competitive, and motivating work environment. One of the core principles is internal equity, which ensures that employees are compensated fairly based on their job responsibilities, skills, and performance relative to other employees within the organization. Organizations must ensure that employees feel their compensation reflects the value they bring to the company, which can improve job satisfaction, reduce turnover, and enhance organizational loyalty. Internal equity is achieved by developing clear, structured compensation policies that outline salary scales, benefits, and performance incentives based on job classification (Milkovich & Newman, 2008).

Another key principle is external competitiveness, which refers to aligning an organization's compensation strategy with industry standards and market trends. Organizations must assess the compensation practices of competing firms within their industry to remain competitive and attract top talent. Competitive compensation packages help organizations to recruit high-quality candidates and retain employees who might otherwise be drawn to other employers offering more attractive benefits or salaries. This principle requires constant monitoring of labor market

trends, including average salaries, benefits, and bonuses, to ensure the compensation strategy is adjusted accordingly to remain competitive (Armstrong, 2012).

Performance-based compensation is another guiding principle in the formulation of compensation systems. It ensures that employees who contribute more to the organization's success are rewarded for their efforts. Linking compensation to performance metrics, such as sales targets, project completion, or customer satisfaction, can incentivize employees to work harder and align their efforts with organizational goals. Performance-based pay can take various forms, including bonuses, commissions, and profit-sharing programs, and it is vital for motivating employees to achieve high performance levels and maintain their commitment to the organization (Kuvaas, 2006).

2.5. Components of Compensation

Compensation is a broad concept that encompasses various elements aimed at attracting, motivating, and retaining employees while ensuring fairness and alignment with organizational goals. The main components of compensation can be categorized into **Direct Compensation** and **Indirect Compensation**. These categories encompass various components as outlined below:

2.5.1. Direct Compensation

Direct compensation refers to monetary payments made directly to employees for their work. These components are typically determined by an employee's job role, skills, experience, and performance. Direct compensation can be broken down into:

- **Base Salary/Hourly Wage:** This is the primary form of compensation given to employees, typically determined based on job responsibilities and market rates. It is usually a fixed amount paid regularly (monthly, bi-weekly, etc.).
- **Incentives and Bonuses:** These are additional payments made to employees based on specific achievements or milestones. They are performance-based and can be related to individual, team, or organizational performance. Examples include sales commissions, annual performance bonuses, and productivity bonuses.
- **Overtime Pay:** Overtime compensation is provided for employees who work beyond their standard hours, often at a higher rate (usually 1.5 times the base rate) as mandated by labor laws.

- **Profit Sharing:** This component involves sharing a portion of the company's profits with employees. It is designed to align employees' interests with the organization's success and motivate them to improve performance.
- **Stock Options and Equity:** Companies, especially in tech and startups, may offer stock options or equity in the company as a form of long-term incentive to retain employees and provide them with a sense of ownership in the company's future success.

2.5.2. Indirect Compensation

Indirect compensation refers to non-monetary benefits and perks that support employees' well-being and work-life balance. While not direct cash payments, these benefits contribute significantly to an employee's overall compensation package.

- **Fringe Benefits:** These are additional perks that supplement the direct compensation. Examples include company cars, housing allowances, meal vouchers, or childcare support.
- **Health Insurance:** Health insurance is one of the most common benefits, which typically covers medical expenses for employees and their dependents. This benefit helps employees manage healthcare costs, providing access to treatment and preventative care.
- **Life Insurance:** Life insurance provides financial support to an employee's beneficiaries in the event of their death. It is often included as a benefit for full-time employees in many organizations.
- **Retirement Plans:** Many companies offer pension plans or 401(k) plans, which provide employees with retirement savings and often include employer contributions.
- **Paid Time Off (PTO):** PTO includes vacation days, sick days, and holidays that employees can use to take time off from work. The amount of PTO typically increases with tenure.
- **Employee Assistance Programs (EAPs):** These are programs designed to help employees with personal problems, such as counseling services, legal support, financial advice, and mental health assistance.
- **Work-Life Balance Programs:** These may include flexible working hours, remote work options, and wellness programs designed to help employees maintain a balance between their work and personal lives.

2.5.3. Non-Monetary Compensation

While non-monetary compensation doesn't have direct financial value, it can be a powerful motivator. It includes:

- **Recognition:** Public acknowledgment of an employee's efforts or achievements. This could be in the form of awards, certificates, or praise during meetings.
- **Career Development:** Opportunities for training, mentorship, and promotions that help employees grow within the organization and advance their careers.
- **Job Enrichment and Autonomy:** Providing employees with more responsibilities, decision-making power, and meaningful work. This can increase job satisfaction and motivation.

2.6 Theoretical review

2.6.1 The compensation theory

2.6.1.1. Equity Theory

Equity theory suggests that employee perceptions of what they contribute to the organization, what they get in return, and how their return-contribution ratio compares to others inside and outside the organization, determine how fair they perceive their employment relationship to be (Adams, 1963). Perceptions of inequity are expected to cause employees to take actions to restore equity. Unfortunately, some such actions (e.g., quitting or lack of cooperation) may not be helpful to the organization. Two recent empirical studies provide good examples of the types of counterproductive behaviors that can occur as a result of perceived inequity.

In the first study, Greenberg (1990) examined how an organization communicated pay cuts to its employees and the effects on theft rates and perceived equity. Two organization units received 15% across-the-board pay cuts. A third unit received no pay cut and served as a control group. The reasons for the pay cuts were communicated in different ways to the two pay-cut groups. In the "adequate explanation" pay-cut group, management provided a significant degree of information to explain its reasons for the pay cut, and also expressed significant remorse. In contrast, the "inadequate explanation" group received much less information and no indication of remorse. The control group received no pay cut (and thus no explanation). The control group and the two pay-cut groups began with the same theft rates and equity perceptions. After the pay cut, the theft rate was 54% higher in the adequate explanation group than in the control group.

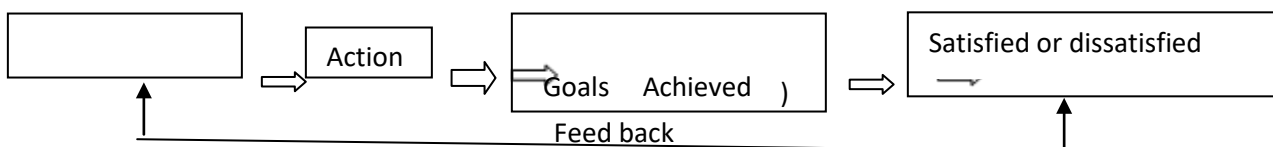
However, in the "inadequate explanation" condition, the theft rate was 141% than in the control group. In this case, communication had a large, independent effect on employees' attitudes and behaviors.

Cowherd and Levine (1992) used a sample 102 business units in 41 corporations to examine whether the size of the pay differential between lower-level employees and top management had any impact on product quality. Cowherd and Levine suggest that individuals often compare their pay to that of people higher in the organization structure. If lower-level employees feel inequitably treated, they may seek to reduce their effort to achieve equity. Quality, in their study, was defined as customer perceptions of the quality of goods and services.

They hypothesized that extra role, or citizenship behaviors, such as freely offering to help others, following the spirit rather than letter of rules, and correcting errors that would ordinarily escape notice, would be less likely when pay differentials between hourly and top managerial employees were large. Their results supported this hypothesis, suggesting that Employees may use other comparisons standards also, such as their previous or expected future jobs or cost of living. organizations need to take care that they not forget the potential adverse motivational consequences of executive pay for the motivation of other employees.

2.6.1.2. Expectancy Theories

Fromm's theory of expectation argues that an employee's behavior will be affected by three important variables: 1. Expectation (E) refers to incentives that have a certain intensity to motivate employees to work towards the chosen goal 2. The tool value (I), when the desired level of performance is achieved, obtains the subjective probability of the required reward, the individual's judgment or the estimated reward; 3. The reward premium (V), refers to the target after the reward obtained in the minds of the relative value of the size of the parties. The motivation of a person to make a certain behavior (incentive intensity) is the product of E, I, V three variables, that is, $M = E \times$



$I \times V$. The expected incentive mode is shown in Figure below

$$M = E \times I \times V \quad \text{Achievements}$$

Figure 1 Expectation incentive pattern

The expectation theory suggests that the intensity of a behavioral bias depends on the desired intensity of the individual's outcome of a behavior and the attraction of the result to the actor. When employees think that hard work can get a good performance evaluation results, and good performance evaluation results can bring the need to meet the needs of the return, he will tend to pay more effort. Therefore, from the expectation theory we can draw the assumption that raising the level of remuneration resulting from the corresponding performance level will enhance the employee's motivation to improve performance. A large number of empirical studies have also confirmed the positive link between performance pay and performance (Jenk-ins, 1998)(reference)

2.6.1.3. Herzberg's Two-Factor Theory (Motivation-Hygiene Theory, 1959): A Detailed Explanation

1. Overview: Developed by psychologist Frederick Herzberg in 1959, the theory posits that job satisfaction and dissatisfaction are influenced by distinct sets of factors, termed hygiene factors and motivators. Unlike traditional views, Herzberg argued that satisfaction and dissatisfaction are not opposites but exist on separate continua.

2. Key Concepts:

- Hygiene Factors (Dissatisfies):

These are extrinsic elements related to the job context. Their absence causes dissatisfaction, but their presence merely prevents dissatisfaction without motivating. Examples include:

- ✓ Salary and job security
- ✓ Working conditions (e.g., safety, physical environment)
- ✓ Company policies and administration
- ✓ Quality of supervision
- ✓ Interpersonal relationships

Impact: Addressing hygiene factors creates a neutral baseline, eliminating dissatisfaction but not fostering motivation.

➤ **Motivators (Satisfiers):**

These intrinsic factors relate to the job content. Their presence drives satisfaction, engagement, and performance. Examples include:

- ✓ Achievement and recognition
- ✓ Meaningful/Challenging work
- ✓ Responsibility and autonomy
- ✓ Opportunities for growth and advancement

Impact: Motivators tap into employees' psychological needs, leading to higher productivity and job satisfaction.

3. Core Principle:

Dual Continuum: Satisfaction (motivators) and dissatisfaction (hygiene factors) operate independently. Improving hygiene factors only reduces dissatisfaction; enhancing motivators boosts satisfaction.

2.6.1.4. Social Exchange Theory (Blau, 1964): A Detailed Explanation

1. Overview and Foundations:

Developed by sociologist Peter Blau, Social Exchange Theory (SET) extends the principles of economic exchange to social interactions, emphasizing how human relationships are formed and sustained through mutual benefits. Unlike psychological approaches (e.g., Homans), Blau's framework integrates macro-sociological structures, examining how exchanges shape institutions, organizations, and societal norms.

2. Core Principles:

- ✓ **Rationality and Maximization:** Individuals engage in relationships where perceived rewards (e.g., approval, resources) outweigh costs (e.g., time, effort). Interactions are driven by rational calculations to maximize benefits.
- ✓ **Reciprocity and Trust:** Exchanges rely on implicit norms of reciprocity; favors create obligations, fostering trust over time. Trust is critical in non-contractual social exchanges, enabling sustained interactions.

- ✓ **Power and Dependency:** Power imbalances arise when one party controls valued resources. The dependent party may comply to access resources, reinforcing hierarchical structures.

3. Key Concepts:

➤ **Social vs. Economic Exchange:**

- ✓ **Social:** Informal, trust-based exchanges with no explicit terms (e.g., friendship). Breaches harm relationships.
- ✓ **Economic:** Formal, contractual exchanges (e.g., employment). Governed by legal frameworks.
 - **Indebtedness:** Receiving a favor creates a debt, compelling reciprocation to maintain equilibrium and relational continuity.
 - **Norms of Fairness:** Equity and justice norms govern exchanges. Perceived inequity may lead to conflict or dissolution.

4. Macro-Sociological Contributions:

Blau emphasized how repeated exchanges evolve into complex social structures:

- ✓ **Group Formation:** Shared exchange patterns foster cohesion, leading to groups and networks.
- ✓ **Institutionalization:** Norms and roles emerge to regulate exchanges in organizations (e.g., workplaces), reducing uncertainty.
- ✓ **Indirect Exchanges:** In large systems, benefits circulate beyond dyadic interactions (e.g., organizational rewards mediated by hierarchy).

2.7.1. What is Compensation mechanism?

Compensation, by definition, means all cash payments and all assets that are used in lieu of finances to reward employees. Compensation is one of the human resource management functions that deal with any type of reward that people receive in exchange for performing organizational tasks. According to Bratton and Gold (2007: p. 360), "reward" refers to any financial, non-financial and psychological payment that the organization makes to employees in exchange for the work they have done. An organization must make three main decisions about the monetary reward, how much to pay, who to pay for, and how much to pay. Monetary reward should be emphasized as part of the overall employment relationship Thang (2004) suggests,

Compensation and reward can be powerful tools for getting efforts from the employees to fulfill the organizations goals.

Rewards can be divided into financial and non-financial rewards and different strategies can be adopted for the allocation of rewards (Armstrong 2010, 267). The rewarding has many different systems to follow. The financial rewards can be base pay, and performance related pay. Base pay is determined with internal and external rates that are the form of job evaluation and market rates and it is expressed with relation to a certain period i.e. Year, month and week. The levels of pay are agreed with individual agreements or with collective agreements with labor unions (Armstrong 2010, 275).

Compensation refers not only to extrinsic rewards such as salary and benefits, but also to intrinsic rewards such as the achievement of personal goals, recognition, autonomy, promotion and more demanding job opportunities (Carrell et al., 1995, p. 498). Job evaluation is used for systematic job evaluation and assignment to pay groups. Standard evaluation methods include ranking, ranking, point and factor comparison. Compensation management is one of the central pillars of personnel management (HRM). It deals with the formulation and implementation of strategies and guidelines designed to reward people fairly, equitably and consistently according to their value to the organization (Armstrong, bn, 12005)

Armstrong and Brown (2005) postulate that compensation management is an integral part of the human resource management approach to leadership and, as such, supports the achievement of business objectives and is strategic in the sense that it addresses issues across the board. long-term related to employee appreciation for what they want to achieve; Therefore, it is integrated with other human resource management functions.

Bob & Anyebe (2003) view compensation management as the foundation of a well-articulated philosophy: A set of beliefs and guiding principles that align with the organization's values, which recognizes the fact that human resource management, is at stake. Armstrong (2005) says in his own analysis that compensation management is about developing a positive employment relationship and a psychological contract that takes a general compensation approach that recognizes that there are several ways that people can be compensated.

2.7.2. Components of Compensation

Executive compensation systems generally have four components, including salaries, bonuses, incentives, and long-term benefits. Total compensation includes all forms of cash compensation (e.g., base salary, shift differences, overtime, waiting pay, bonuses, commissions, etc.) and the dollar value of the benefits package sponsored by the employer (eg, medical and dental insurance, shortterm paid vacation, old-age benefit, life insurance). According to Singh (2007), remuneration is generally divided into direct and indirect components. The term direct compensation is used to describe financial compensation, usually in cash, and includes items such as basic compensation, parental leave allowance, overtime pay, shift allowance, incentives, bonuses, profit sharing and commissions, etc. Indirect payments or salary supplements or supplementary benefits refer to services such as provident fund, pension fund, medical and health insurance, as well as sick leave and other benefits and discounts.

Total Compensation refers to all forms of pay or rewards going to employees as a result of their employment and can be broken down into three categories: Such as Base Pay, Performance Pay and Indirect Pay (Long, 2006). Although base pay remains the largest, most readily quantified component in most pay systems, indirect pay, often referred to as —benefits‖ constitutes a significant and increasing expenditure for many organizations. The term indirect pay acknowledges that benefits are an integral and significant part of total compensation for most organizations and should be considered a component of employee pay in the same way as base pay and performance pay.

According to (Long 2006) averaging anywhere from 10 to 40% of a given organization’s total compensation, indirect pay can be any employee related expenditure not included in base or performance pay that is a gain to the employee. The six main categories of indirect pay are as follows: 1. Benefits mandated by law, including employer contributions to the Pension Plan, Employment Insurance, and the Workplace Safety and Insurance Board; 2. Deferred income plans, commonly known as retirement or retirement plans; 3. Health-related benefits, such as life, medical, dental, or disability insurance; 4. Pay for time not worked, such as vacations and vacations; 5. Employee services, ranging from employee assistance programs to catering services; 6. Various benefits ranging from supplying agency vehicles to purchasing discounts on agency products or services.

2.8. Empirical Review

Hassan et al. (2017), *The Impact of Compensation on Employee Job Satisfaction: A Study in the Banking Sector of Pakistan*. This study evaluated the relationship between compensation and job satisfaction among bank employees in Pakistan. Using a survey methodology, 250 employees from various banks were surveyed using structured questionnaires. The results showed a significant positive correlation between compensation packages and employee satisfaction. Employees who received higher compensation were more satisfied with their jobs and showed greater commitment to their organizations. The study concluded that improving compensation strategies could help increase job satisfaction, employee retention, and overall productivity in the banking sector.

Sharma and Garg (2018) focused on how different compensation elements such as salary, bonuses, and incentives affect employee motivation in the Indian manufacturing sector. The study employed a mixed-methods approach, combining qualitative interviews and quantitative surveys with 150 employees. The findings revealed that while salary was a key motivating factor, bonuses and non-financial incentives, like recognition, played a significant role in boosting motivation. The study highlighted that organizations could foster better employee motivation by balancing financial and non-financial incentives.

Berg et al. (2019) investigated how fringe benefits such as health insurance, paid leave, and retirement plans influenced employee productivity in technology firms. Using a cross-sectional survey, 200 employees from 10 different tech firms were surveyed. The study found that fringe benefits had a strong positive impact on employee productivity, especially in terms of reducing absenteeism and enhancing work engagement. The research recommended that tech firms emphasize fringe benefits to create a more productive workforce.

Javed et al. (2019) explored the impact of compensation on employee performance in Pakistan's telecom industry. A survey design was used to collect data from 300 employees across five telecom companies. The study revealed that both intrinsic and extrinsic compensation factors significantly influenced employee performance, with extrinsic rewards like bonuses and commissions having the most significant effect. The researchers concluded that companies should adopt a holistic approach to compensation, addressing both monetary and non-monetary factors.

Wu and Wang (2021) investigated the relationship between employee compensation and organizational performance in Chinese manufacturing firms. A survey of 250 employees from 15 firms was conducted using a structured questionnaire. The results revealed that fair compensation systems had a strong positive effect on both employee job satisfaction and organizational performance. The study suggested that manufacturing firms in China should implement transparent and competitive compensation structures to align employee goals with organizational success.

Gomes and Rocha (2022) explored how compensation strategies influence employees' work-life balance in Brazil and the United States. A comparative study was conducted using a sample of 300 employees from each country. The study found that in both countries, compensation had a significant influence on employees' ability to balance work and personal life. However, Brazilian employees valued flexible work arrangements more, while U.S. employees emphasized salary and benefits. The study recommended that multinational companies consider cultural differences when designing compensation systems to enhance work-life balance.

Musa and Ali (2023) examined the role of health and life insurance in promoting employee loyalty in the Nigerian banking sector. The study used a survey design, collecting data from 250 employees across five major banks. The results indicated that health and life insurance benefits were strongly correlated with higher levels of employee loyalty and lower turnover rates. The study emphasized the importance of offering comprehensive insurance packages as part of a competitive compensation strategy to improve employee retention and organizational commitment.

Tsegaye (2020) investigated the impact of compensation and employee benefits on job satisfaction and performance in the Ethiopian banking sector. Data was collected from 300 employees across 5 major Ethiopian banks using a survey questionnaire. The study found that employees in Ethiopian banks who received higher compensation and better benefits, such as health insurance and bonuses, were more satisfied with their jobs and showed improved job performance. The study concluded that competitive compensation strategies are essential for retaining talent and boosting performance in the banking sector in Ethiopia.

Ayele and Wolde (2021) focused on compensation management practices and their effects on employee retention in private banks in Addis Ababa. The study utilized a mixed-method approach, combining both surveys and interviews with 200 employees and 20 managers from various private banks. The findings indicated that well-structured compensation systems significantly reduced turnover rates. Employees highly valued performance-based bonuses and fringe benefits, with a direct impact on their decision to stay with the organization. The study recommended that private banks in Ethiopia should enhance their compensation packages to improve employee retention.

2.10 Summary of literature and Knowledge gap

Compensation management and employee commitment literature shows a persistent correlation of various elements of compensation and employee results, such as job satisfaction, motivation, performance, and retention. Many studies, for example, Hassan et al. (2017) and Javed et al. (2019), highlight the significance of both monetary (such as salary, bonus, fringe benefits) and non-monetary incentives (such as praise, career development) in reinforcing the commitment and performance of employees. In addition, fringe benefits like medical insurance and pension plans have also been shown to make a significant contribution to employees' well-being and satisfaction, as shown by research in both developing and developed countries, for instance, the research by Tsegaye (2020) on Ethiopian banks. All these suggest that a well-developed compensation system is vital in creating a motivated and committed workforce.

Despite the massive amount of research that has been conducted, some areas of knowledge have not been addressed. One of the significant knowledge gaps is that proper examination of the relationship between compensation and employee commitment in the Ethiopian context, particularly in commercial banks, is lacking. As much as research was conducted in Pakistan, India, and Nigeria, there is limited research on Ethiopian commercial banks. Moreover, while the majority of the research has focused on compensation and financial rewards, there has not been enough research in detail to examine the impact of more abstract elements of compensation, such as work-life balance initiatives or career development opportunities, on employees' commitment within Ethiopian organizations.

Further, more comprehensive studies are required that integrate various compensation factors and their combined effect on employee commitment. While research is done on individual

compensation factors, a holistic approach that studies the interaction between salary, bonuses, fringe benefits, and job-related incentives is not available. This gap is particularly acute in the Ethiopian organizational setting, where differential compensation practices could possibly have a significant impact on employees' attitudes and behavior. Filling these gaps would go to further elaborate on compensation management and its impact on employee commitment across different organizational settings.

2.11 Conceptual Framework

The conceptual framework of this study discusses the relationship of compensation management systems and workers' commitment, that is, how different components of compensation such as premium pay, job-based incentives, fringe benefits, life and health insurance, and pension benefits influence workers' motivation, job satisfaction, and commitment to the company. Under the model, an effective compensation system is an incentive that activates workers' commitment by fulfilling their monetary and non-monetary requirements. Compensation variables, monetary (e.g., pay, bonuses) and intrinsic (e.g., esteem, career growth opportunities), interact to impact the level of commitment of employees, which, subsequently, impacts organizational outcomes such as performance and turnover. The model also considers organizational culture, leadership, and job satisfaction variables that influence the relationship between compensation and employee commitment as moderators. It also fits in with current theories on employee motivation and conduct, e.g., Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, which propose that employees are not merely stimulated by pay but also by possibilities to improve, appreciation, and security.

Employee Compensation

Mechanisms

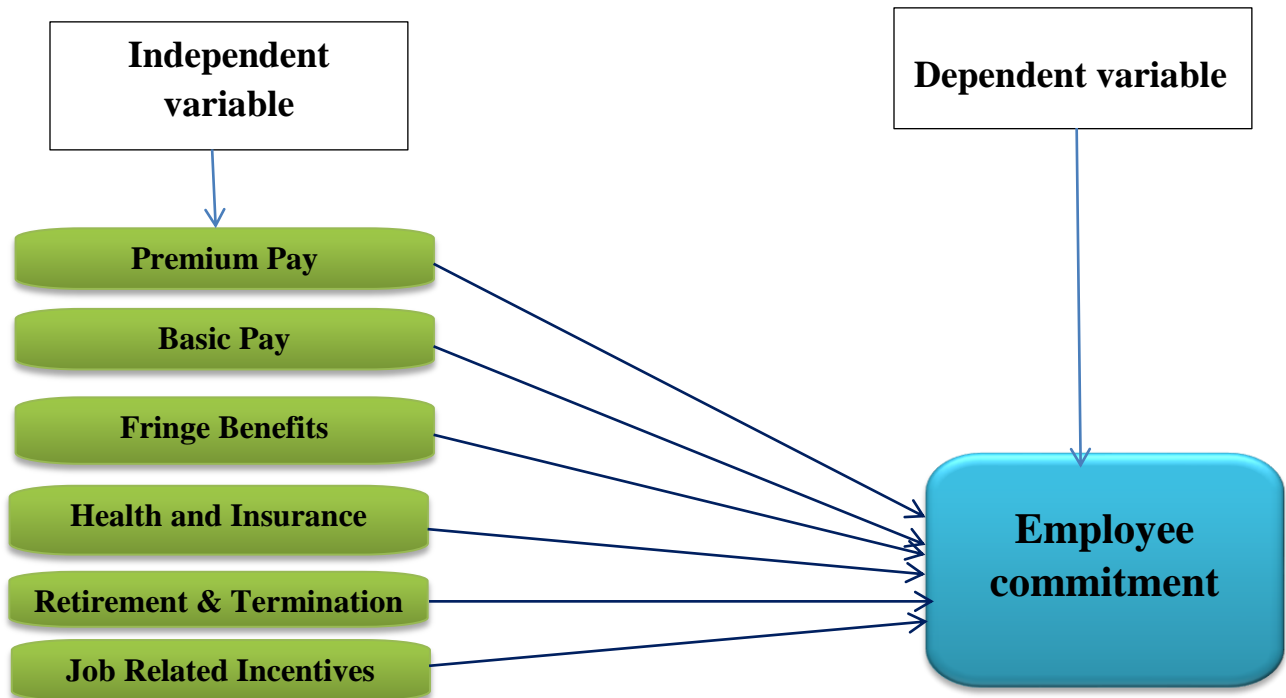


Figure 2: Conceptual framework

Source: researcher on construction based on the literature review and previous topic study

2.12 Hypotheses of the Study

H₁: Premium pay has a statistically significant positive effect on employee commitment.

H₂: Job-related incentives (including basic pay, special bonuses, and gift rewards) have a statistically significant positive impact on employee commitment.

H₃: Fringe benefits have a statistically significant positive effect on employee commitment.

H₄: Health and insurance benefits positively influence employee commitment.

H₅: Basic pay has a statistically significant positive effect on employee commitment.

H₆: Retirement and termination benefits have a statistically significant positive impact on employee commitment.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Description of the Study Area

This study was conducted in Wolkite town, specifically focusing on the assessment of the effect of compensation management on employees' commitment in the commercial banks operating within the area. Wolkite town is located in the central part of the Central Ethiopia region, approximately 158 kilometers south of Addis Ababa, the capital city of Ethiopia, and 123 kilometers from Hossana, the regional capital. The town has a population of around 114,000 people, and its climate is categorized as Qolama, which is conducive to agricultural and urban activities (Gelgelu, 2018). Wolkite is divided into three sub-cities: Bekur, Adis, and Gubere, each of which hosts several branches of commercial banks. In total, there are 26 commercial bank branches across these sub-cities, providing a diverse range of banking services to the local population. This study was focused on understanding how compensation management systems in these commercial banks influence employee commitment and, ultimately, the performance and stability of the banks in the region.

3.2. Research Design

The research was employed both descriptive and explanatory research designs to comprehensively analyze the effect of compensation components on employee commitment. The descriptive design was utilized to summarize and present the current practices of compensation strategies such as premium pay, basic pay, fringe benefits, health and insurance, life insurance, and retirement and termination benefits within the organization, offering a clear understanding of their distribution and perception among employees. On the other hand, the explanatory design aimed to establish and examine the cause-and-effect relationships between these compensation variables and employee commitment. By integrating both designs, the study not only provided a detailed snapshot of the existing compensation system but also tested hypotheses to determine the extent to which each component significantly influences employee commitment and productivity, thereby enhancing the reliability and depth of the findings.

3.3. Research Approach

This study employed a quantitative research approach to comprehensively examine the impact of various compensation components on employee commitment. Structured questionnaires were utilized and distributed to a selected sample of employees. This method facilitated the collection of quantifiable data, allowing for statistical analysis of the relationships between variables such as basic pay, premium pay, job-related incentives, fringe benefits, health and insurance coverage, life insurance, and retirement or termination benefits. The use of a quantitative approach ensured objectivity and consistency in measuring employee responses. Moreover, it allowed the researcher to draw generalizable conclusions based on empirical evidence gathered from a representative sample.

3.4. Sample size and population

The researcher was designed to conduct the study by using the selection of the respondent is carried out by using purposive sampling techniques. Since no other department are closely concerns about the effect of employee compensation on job satisfaction and commitment in case of commercial banks Wolkite town. The reason for uses this type of sampling technique was less costly and less time consuming.

Name of banks	Nmber of Employee
Commercial bank	48
Nib international bank	35
Abisinya bank	28
Awash bank	23
Dashen bank	18
Wegagen bank	14

From this population, the researcher selected all 166 employees as the sample size using a non-probability purposive sampling technique. This complete inclusion was necessary due to the relatively small total number of employees across all commercial banks in the town, which made a census-like approach feasible and cost-effective.

3.5. Sampling techniques

Judgmental (purposive) non probability sampling techniques was used for customers' and sampling technique was used for employee of commercial banks the organizations all management bodies and other employee of the branch worker was interviewed. the researcher was focused purposely the employer who works in commercial bank. Judgmental (purposive) sampling was used because the study required information from employees who have direct experience and insight into the compensation practices and their impact on employee commitment. This technique allowed the researcher to deliberately select knowledgeable participants from commercial banks to obtain relevant and reliable data.

3.6. Data type and sources

To gather information about this research the researcher was used both primary and secondary data sources. The primary data was collected by using unstructured interview and questionnaires to the operational manager, human resource head and commercial bank workers. The basic purposes of this interview are to identify effects of compensation management system on employee's commitment.

3.7. Methods of data collection

To obtain relevant information the researcher was used self-administered questionnaire and unstructured personal interview. Self-administer questionnaire is design to give freedom for respondent and unstructured personal interview is selects to get plenty information.the researcher was used only stadardized self adiministred open and closed ended quationary.

3.8. Data processing and analyzing

After all relevant data collects the data was paces through different process such as classification and tabulation. Then processing and canalizations was conducted by using tables and percentage. The descriptive statistics was analyzed using the Statistical Package for Social Sciences (SPSS 21). And Multiple Linear regression employed to know cause and effect of the relationship between variables and to assess effects of compensation management system on employee commitment. The researcher was used the quantitative research approach that emphasis using numerical measurment and statistical measurment to understand phenomental this invoice collecting data that can be quantified and subjecting in to various statistical technique to test

hypothesis or explore relationship between variables. Example *t test* anova and linear regression etc.

3.9. Model Specification

This study employed a multiple linear regression model to examine the effect of compensation components on employee commitment. The model considers employee commitment as the dependent variable, while the independent variables include premium pay, basic pay, job-related incentives, fringe benefits, health and insurance, life insurance, and retirement and termination benefits. The functional form of the model is specified as follows:

$$Y = \beta_0 + \beta_1 \text{Premium Pay}_a + \beta_2 \text{Basic Pay}_b + \beta_3 \text{Job related Incentives}_o + \beta_4 \text{Fringe Benefits}_o + \beta_5 \text{Health and Insurance}_j + \beta_6 \text{Retirement and Termination}_j + \epsilon$$

Where:

- β_0 is the intercept,
- β_1 - β_7 are the coefficients of the respective independent variables,
- ϵ is the error term capturing other factors affecting employee commitment.

The model aims to estimate the degree and significance of the relationship between each compensation element and employee commitment, providing insights into which components most strongly influence employees' motivation and retention in the organization.

3.10. Validity and Reliability test

Initially the reliability and validity of all the constructs was checked. The researcher was tested the Reliability of the criteria used in the study by using alpha coefficient and the coefficient of reliability. According to Sekaran, (1992) the stability coefficient 'Cronbach's Alpha', (which measures the consistency and internal stability of elements which measure the independent and dependent variables of the study) if the coefficient is less than 0.60, the consistency and internal stability is considered weak, if the coefficient varies between 0.60 and less than 0.80, it is considered accepted. But, if the coefficient is varies between (0.80 - 0.85), it is considered good. In case the coefficient is higher than 0.85 to one, it is considered excellent. The closer the Alpha coefficient is to integral one, the more it is considered consistent and internally stable. As for the credibility coefficient, it demonstrates how credible the answers of the investigated subjects are.

So, if the coefficient is higher than 0.70, this means high credibility in the answers of the investigated subjects.

After reviewing for reliability, the data was checked for validity. According to Stangor (2005) the validity of a scale refers to the degree to which it measures what it is supposed to measure. Content validity, criterion validity and construct validity are the major area to measure validity. Content validity refers to the adequacy with which a measure or scale has sampled from the intended universe or domain of content. Criterion validity concerns the relationship between scale scores and some specified, measurable criterion. Construct validity involves testing a scale not against a single criterion but in terms of theoretically derived hypotheses concerning the nature of the underlying variable or construct. The construct validity is explored by investigating its relationship with other constructs; both related (convergent validity) and unrelated (discriminate validity). As can be seen in table 1 below, which shows that all items' average Cronbach's Alpha values were over 0.80 which is 0.878, we can draw the conclusion that the data gathering tool is reliable and consistent.

Table 1: Reliability test

Variables	Number of items	Cronbach's alpha	Internal consistency
Premium Pay	4	0.815	Good
Basic Pay	4	0.916	Excellent
Fringe Benefits	8	0.893	Good
Health and Insurance	5	0.903	Excellent
Retirement and Termination	4	0.866	Good
Job Related Incentives	3	0.806	Good
Mean	28	0.867	Good

3.11. Ethical Considerations

Ethical considerations play a crucial role in any research process, ensuring that the study is conducted with integrity, respect, and fairness. In this research, all participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to confidentiality. Informed consent was obtained from each participant prior to their involvement, ensuring they understood how their data would be used and that they could withdraw at any time without penalty. Additionally, the research adhered to ethical guidelines regarding data privacy,

ensuring that personal and sensitive information was protected and only used for the purposes of the study. By following these ethical standards, the research respected the rights and dignity of all participants and promoted transparency in the research process.

Moreover, the study ensured fairness and impartiality by avoiding any potential conflicts of interest that could influence the results or interpretations. The data analysis was conducted with objectivity, and care was taken to present the findings in an unbiased and honest manner. The research was designed to avoid any harm to participants, including psychological or social harm, and to ensure that the results would contribute positively to the field of study. Ethical considerations also extended to the reporting of results, ensuring that they were shared responsibly and accurately, with proper acknowledgment of sources and limitations. By upholding these ethical principles, the study aimed to maintain the credibility and reliability of its findings while contributing to the advancement of knowledge in a responsible manner.

CHAPTER FOUR

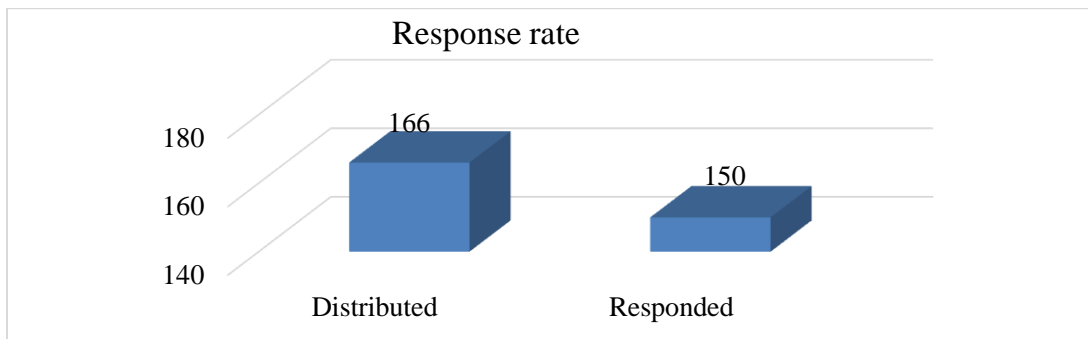
4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

Introduction

This chapter presents the data collected from respondents, followed by detailed analysis and interpretation of the findings. The purpose of this section is to examine the relationship between various compensation components and employee commitment, using descriptive statistics and inferential analysis. The findings are discussed in line with the research objectives and supported by relevant literature to provide a comprehensive understanding of the results.

4.1 Response Rate

The questionnaire response rate for this study was 93.4%, with 150 out of 166 distributed questionnaires successfully completed and returned. This high response rate indicates strong engagement from the respondents, ensuring the reliability and representativeness of the collected data. The responses provide valuable insights into the effect of compensation management on employee commitment in commercial banks operating in Wolkite town.



Source: Survey, 2025

4.2 Demographic Profile

Table 2: Socio-demographic characteristics of respondents

Variables	Categories	Frequency	Percentage
Gender	Male	103	68.7
	Female	47	31.3
Age	<25 yea	13	8.7
	25-30 year	66	44.0
	31-40 year	51	34.0
	41-50 ear	14	9.3
	>50 year	6	4.0

Education status	Degree	97	64.7
	Masters	53	35.3
Working experience	Less than 1 year	13	8.7
	1–3 years	21	14.0
	4–6 years	32	21.3
	7–10 years	39	26.0
	Above 10 years	45	30.0

Source: Survey result, 2025

Gender: The gender distribution of respondents shows that out of 150 participants, 103 (68.7%) were male, while 47 (31.3%) were female. This indicates that the majority of employees in the commercial banks of Wolkite town are male, which may reflect the gender composition of the banking sector in the area. The relatively lower percentage of female employees suggests that there may be gender disparities in employment opportunities or career progression within the banking industry.

Age: Regarding the age distribution, 13 (8.7%) of the respondents were under the age of 25, while the largest group, 66 (44.0%), fell within the 25-30 age range. Additionally, 51 (34.0%) of the respondents were aged between 31 and 40, 14 (9.3%) were in the 41-50 age bracket, and only 6 (4.0%) were above 50 years old. These findings suggest that the banking workforce in Wolkite town is predominantly young, with a significant proportion of employees below 40 years, indicating potential for career growth and long-term engagement in the sector.

Educational status: The education level of respondents reveals that 97 (64.7%) hold a bachelor’s degree, while 53 (35.3%) have attained a master’s degree. This reflects a highly educated workforce, with all employees possessing at least a degree-level qualification. The high percentage of degree holders suggests that commercial banks in Wolkite town prioritize hiring individuals with strong academic backgrounds, ensuring a competent and knowledgeable workforce in the financial sector.

Work experience: In terms of work experience, 13 (8.7%) of the respondents had less than one year of experience, while 21 (14.0%) had been employed for 1–3 years. Employees with 4–6 years of experience accounted for 32 (21.3%), while 39 (26.0%) had worked for 7–10 years. The most experienced group, those with over 10 years of service, comprised 45 (30.0%) of the respondents. This distribution suggests that a significant portion of employees in commercial banks have substantial work experience, which may contribute to organizational stability and

efficiency, while the presence of newer employees also indicates opportunities for workforce renewal and talent development.

4.3. Analysis of Descriptive Statistics

This section presents and interprets the descriptive statistics results for the key components of employee compensation and benefits in the organization. It provides insights into respondents' levels of agreement or disagreement with various statements regarding compensation practices, using percentage distribution, mean, and standard deviation. The analysis helps to understand how employees perceive different elements of the reward system and their potential influence on employee commitment.

4.3.1 Premium pay

The analysis begins with examining premium pay practices, which refer to additional financial compensation such as overtime pay or bonuses provided beyond the regular salary. Understanding how employees perceive premium pay is essential in assessing whether such incentives contribute to their motivation and commitment.

Table 3: Analysis of premium pay

Premium pay	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
Employees receive overtime pay for hours worked in excess of standard hours in a work week with higher rate of payment than the standard rates.	6.6 (10)	18.0 (27)	22.0 (33)	30.0 (45)	18.7 (28)	3.24	1.15
The branch bank provides additional pay for performing duty or work involving physical hardship.	10.0 (15)	20.0 (30)	25.3 (38)	28.0 (42)	17.3 (26)	3.22	1.12
Bank pays additional compensation when they need employees' service on-call although they are not scheduled for duty on that day.	13.3 (20)	21.3 (32)	20.0 (30)	26.7 (40)	18.7 (28)	3.14	1.18
Attractive additional pay is given to employees when they worked on any days other than my scheduled days of work like holiday worked, Sunday worked, standby duty, and the like.	11.3 (17)	19.3 (29)	23.3 (35)	31.3 (47)	14.7 (22)	3.22	1.10
Grand Mean	10.1	19.2	22.1	30.2	18.4	3.21	1.13

Source: Survey result, 2025

The analysis of premium pay shows that the majority of respondents moderately agree that they receive additional compensation for working beyond standard hours or under special conditions. Specifically, 30.0% agreed and 18.7% strongly agreed that they receive overtime pay at higher rates, while only 6.6% strongly disagreed. This reflects a relatively favorable perception of the organization's premium pay structure, as further supported by a mean score of 3.24 and a standard deviation of 1.15. Similar agreement trends were observed for statements regarding hardship duty compensation and on-call duty pay, with mean values ranging from 3.14 to 3.22. Although a sizable proportion of respondents support the presence and fairness of premium pay, disagreement still exists. For instance, 20.0% disagreed with the fairness of hardship pay, and 13.3% disagreed with on-call compensation, suggesting there is room to enhance transparency and consistency in the premium pay policy.

Further analysis reveals that the availability of premium pay significantly influences employee commitment. The statement linking premium pay to employee commitment achieved the highest mean score of 3.39, indicating stronger agreement among respondents. About 53.3% of the participants either agreed or strongly agreed with the statement, while only 26.6% disagreed or strongly disagreed. The relatively lower standard deviation of 1.09 implies more consistency in this belief among employees. This suggests that premium pay is not only viewed as a financial reward but also plays an important motivational role that impacts how committed employees feel toward their organization. However, the variations in perception across other premium pay items, as shown by the standard deviations above 1.10, indicate that the implementation and communication of premium pay policies may not be uniform, which could be affecting employee trust and satisfaction levels in some areas.

The analysis of premium pay reveals that employees generally perceive the organization's premium pay practices positively, though with noticeable variations. The grand mean value of 3.21 indicates a moderate level of agreement among respondents that premium pay elements—such as overtime compensation, hardship duty pay, and on-call duty bonuses—are implemented to some extent within the organization. This mean suggests that employees neither strongly agree nor disagree but lean slightly toward the view that premium pay policies are present and contribute to their work experience. The standard deviation of 1.13 further indicates a wide

spread in responses, showing a diversity of opinions and experiences among employees regarding premium pay.

4.3.2 Job related incentives

This section explores employee perceptions regarding job-related incentives, including performance bonuses and commission-based rewards. These incentives are crucial for motivating employees to achieve higher productivity and contribute more effectively to organizational goals.

Table 4: Analysis of Job related incentives

Job related incentives	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
The bank uses commission as incentive to increase employee commitment	7.3 (11)	14.0 (21)	23.3 (35)	31.3 (47)	24.0 (36)	3.20	1.08
Cash Bonuses are awarded besides regular wages as performance incentives to increase employee productivity	9.3 (14)	16.0 (24)	20.0 (30)	33.3 (50)	21.3 (32)	3.30	1.05
The bank has profit sharing plan that award employees a percentage of company's profit	8.7 (13)	15.3 (23)	21.3 (32)	34.0 (51)	20.7 (31)	3.35	1.02
Grand Mean	8.9	15.3	20.5	34.0	21.3	3.28	1.05

Source: Survey result, 2025

The analysis of job-related incentives reveals varying opinions among employees about the rewards given for increased productivity. With a grand mean of 3.28, the overall sentiment leans toward agreement on the positive impact of job-related incentives. For the statement "My Bank uses commission as an incentive to increase employee productivity," 7.3% (11 respondents) strongly disagreed, 14.0% (21 respondents) disagreed, 23.3% (35 respondents) were neutral, 31.3% (47 respondents) agreed, and 24.0% (36 respondents) strongly agreed. The mean score of 3.20 and a standard deviation of 1.08 suggest a moderate agreement among respondents. While most employees believe that commission-based incentives motivate productivity, the relatively high standard deviation points to differences in opinion, indicating that some employees may not view commission as an effective motivator or may feel the commission structure is not well communicated or applied.

For the statement, "Cash bonuses are awarded besides regular wages as performance incentives to increase employee productivity," the responses indicate a more favorable view, with 9.3% (14 respondents) strongly disagreeing, 16.0% (24 respondents) disagreeing, 20.0% (30 respondents)

neutral, 33.3% (50 respondents) agreeing, and 21.3% (32 respondents) strongly agreeing. The mean score of 3.30 and a standard deviation of 1.05 reflect a higher level of agreement compared to the previous statement. This suggests that most employees perceive cash bonuses as an effective performance incentive. However, the moderate variability in responses indicates that some employees may not view cash bonuses as a significant motivator or may feel the criteria for receiving such bonuses are unclear or not sufficiently transparent.

The statement, "My Bank has a profit-sharing plan that awards employees a percentage of the company's profit," received the most positive feedback, with 8.7% (13 respondents) strongly disagreeing, 15.3% (23 respondents) disagreeing, 21.3% (32 respondents) neutral, 34.0% (51 respondents) agreeing, and 20.7% (31 respondents) strongly agreeing. The mean score of 3.35 and a standard deviation of 1.02 suggest strong support for profit-sharing as an effective incentive. This indicates that employees who participate in profit-sharing generally feel more motivated by the alignment of their personal success with the company's performance. However, the moderate standard deviation points to some employees still being unsure about the program or its perceived fairness. Overall, the grand mean of 3.28 and standard deviation of 1.05 highlight a generally favorable view of job-related incentives, though there is still room for improvement in terms of fairness, clarity, and employee understanding.

4.3.3 Fringe benefits

Fringe benefits, such as travel reimbursements, housing allowances, and education support, are key non-monetary components of compensation. The analysis assesses the availability and adequacy of these benefits and their role in employee satisfaction and retention.

The analysis of fringe benefits reveals varied employee perceptions regarding the additional perks offered by the bank. With a grand mean of 3.04, the results suggest a moderate level of satisfaction with fringe benefits, though some areas show room for improvement. For the statement, "My bank provides leave travel assistance to the employees and their family members when they are leaving for vacation," 8.0% (12 respondents) strongly disagreed, 18.7% (28 respondents) disagreed, 24.7% (37 respondents) were neutral, 31.3% (47 respondents) agreed, and 17.3% (26 respondents) strongly agreed. The mean score of 3.03 and a standard deviation of 1.12 indicate a moderate level of agreement, with many employees acknowledging the bank's

efforts to support vacation travel, but with notable disagreement and neutral responses showing some dissatisfaction or lack of awareness about this benefit.

Table 5: Analysis of fringe benefits

Fringe benefits	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
The banks provides leave travel assistance to the employees and their family members when they are leaving to vacation	8.0 (12)	18.7 (28)	24.7 (37)	31.3 (47)	17.3 (26)	3.03	1.12
The banks allows reimbursement of telephone and cellular phone expenses	10.0 (15)	19.3 (29)	25.3 (38)	28.7 (43)	16.7 (25)	3.01	1.14
The banks provides discount rates of the company products purchased by the employees.	11.3 (17)	18.0 (27)	26.7 (40)	28.7 (43)	15.3 (23)	2.89	1.11
Executives are provided with fueled company car or petrol allowance to bear their travelling expenses	9.3 (14)	16.7 (25)	25.3 (38)	31.3 (47)	17.3 (26)	3.07	1.10
When the employees are in business tour and traveling, such related expenses bear by the employees are reimbursed by the Bank	7.3 (11)	18.0 (27)	27.3 (41)	30.0 (45)	17.3 (26)	3.08	1.12
The banks provides furnished house or house allowance to employees	9.3 (14)	17.3 (26)	20.0 (30)	34.0 (51)	19.3 (29)	3.39	1.09
Job-related education opportunities are provided and the reimbursement of the expenses is made by the Bank	10.0 (15)	16.7 (25)	18.7 (28)	37.3 (56)	17.3 (26)	3.24	1.07
The bank provides transport facilities	8.7 (13)	34.0 (51)	21.3 (32)	20.7 (31)	15.3 (23)	2.96	1.02
Grand Mean						3.04	1.12

Source: Survey result, 2025

For the statement, "My bank allows reimbursement of telephone and cellular phone expenses," 10.0% (15 respondents) strongly disagreed, 19.3% (29 respondents) disagreed, 25.3% (38 respondents) were neutral, 28.7% (43 respondents) agreed, and 16.7% (25 respondents) strongly agreed. With a mean score of 3.01 and a standard deviation of 1.14, the results suggest that while some employees appreciate this benefit, there is still a considerable portion who feel either neutral or dissatisfied. The variability in responses indicates differing experiences or understanding of how the reimbursement policy is applied, which may lead to uneven perceptions of its fairness or accessibility.

The provision of housing allowances or furnished houses showed the most positive feedback. For the statement, "My bank provides furnished houses or house allowances to employees," 9.3% (14 respondents) strongly disagreed, 17.3% (26 respondents) disagreed, 20.0% (30 respondents) were neutral, 34.0% (51 respondents) agreed, and 19.3% (29 respondents) strongly agreed. With a mean of 3.39 and a standard deviation of 1.09, the responses here suggest a stronger satisfaction with the housing benefits, indicating that many employees feel well-supported in terms of housing. The standard deviation, however, still suggests some variability in the responses, likely reflecting differences in position, location, or eligibility for this benefit. Overall, while fringe benefits are generally viewed positively, there is considerable variation in how different employees perceive the availability and fairness of these benefits, as shown by the standard deviations across the statements.

4.3.4 Health and insurance

Employee well-being is significantly influenced by health and insurance benefits. This section evaluates how respondents perceive the coverage and fairness of health-related provisions such as medical reimbursement, life insurance, and disability support.

Table 6: Analysis of health and insurance

Health and insurance	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
Medical bills with reasonable amounts are imbruted for all employees in my Bank	3.3	10.0	20.0	26.7	40.0	2.87	1.07
Women employees are not engaged in arduous or harmful to their health	4.7	13.3	16.7	30.0	35.3	2.77	1.06
The banks covers life insurance for all employees with the reasonable contribution from their monthly salary/wage	5.3	12.0	18.7	30.7	32.0	2.92	1.08
Employees' medical insurance is sponsored by our Bank	6.0	9.3	20.0	33.3	31.3	2.92	1.07
Employees are provided continuation of salary during work related disability in our Bank	4.0	10.7	21.3	30.0	34.0	3.09	1.04
Grand mean						2.88	1.06

Source: Survey result, 2025

The analysis of health and insurance benefits reveals that employees generally view the bank's health and insurance offerings with moderate satisfaction, reflected by the grand mean of 2.88.

For the statement, "Medical bills with reasonable amounts are reimbursed for all employees in my bank," 40.0% (60 respondents) strongly agreed, while 26.7% (40 respondents) agreed. However, a smaller portion, 10.0% (15 respondents), disagreed, and 3.3% (5 respondents) strongly disagreed. The mean score of 2.87 and a standard deviation of 1.07 indicate a general positive sentiment, but there is still a slight variability in responses, suggesting that some employees may feel their medical bills are not fully covered or may not fully understand the reimbursement process.

For other health-related benefits, such as life insurance and medical insurance, the responses indicate moderate levels of satisfaction. The statement, "My bank covers life insurance for all employees with a reasonable contribution from their monthly salary," received a mean score of 2.92, suggesting a relatively favorable view of the life insurance coverage, though not without some disagreement (5.3% strongly disagreed, and 12.0% disagreed). Similarly, the statement, "Employees' medical insurance is sponsored by our bank," received a similar mean of 2.92, indicating that most employees appreciate the insurance coverage, but some feel it may not meet their expectations or needs. The standard deviations across these items, ranging from 1.04 to 1.08, show some variability in responses, highlighting that while a majority are satisfied with the coverage, there is a notable proportion of employees who remain neutral or dissatisfied with these health and insurance benefits.

4.3.5 Basic Pay

Basic pay is a core component of the compensation package and plays a fundamental role in ensuring financial stability and employee satisfaction. This part of the analysis investigates whether the current salary structure meets employee expectations and industry standards.

The analysis of basic pay reveals a generally positive perception of salary-related practices in the bank, reflected by a grand mean score of 2.98. For the statement, "Salaries paid in my bank are better when compared to what employees could earn in another company doing the same job," 40.7% (61 respondents) strongly agreed, while 30.0% (45 respondents) agreed. With a mean of 3.04 and a standard deviation of 1.08, it is clear that the majority of employees feel the bank's salary offers are competitive compared to other organizations. However, a small percentage (5.3% strongly disagreed and 8.0% disagreed), indicating that some employees believe their compensation may not be as competitive.

Table 7: Analysis of basic pay

Basic Pay	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
Salaries paid in my Bank are better when compared to what employees could earn in another company doing the same job	5.3	8.0	16.0	30.0	40.7	3.04	1.08
Employees' detainment with my organization is highly depending up on the sound salary structure	4.7	9.3	18.0	30.7	37.3	2.92	1.05
The bank provides employees with salary/wage increase to adjust the cost of living	6.0	10.7	17.3	28.0	38.0	2.87	1.10
Pay increase directly linked to productivity in my Bank	4.0	8.7	18.7	32.0	36.7	3.06	1.07
Grand mean						2.98	1.07

Source: Survey result, 2025

For the statement, "Employees' detainment with my organization is highly depending upon the sound salary structure," the mean score of 2.92 and standard deviation of 1.05 suggest that while many employees view salary structure as a significant factor in their retention, there is a mix of opinions. About 37.3% (56 respondents) strongly agreed, and 30.7% (46 respondents) agreed, but 4.7% (7 respondents) strongly disagreed, suggesting that salary might not be the sole factor influencing employee retention for all individuals. Similarly, the statement, "My bank provides employees with salary/wage increases to adjust the cost of living," scored a mean of 2.87, which is slightly lower, indicating that while many employees appreciate cost of living adjustments, some may feel these adjustments are not sufficient or regular.

Finally, regarding pay increases linked to productivity, the statement "Pay increase directly linked to productivity in my bank" had a relatively high mean score of 3.06, showing that employees generally believe their performance is tied to salary increases. With a standard deviation of 1.07, this indicates moderate consensus, though a small portion of employees (4.0% strongly disagreed and 8.7% disagreed) may feel that salary increases are not closely tied to their productivity.

The grand mean of 2.98 indicates that, on average, employees have a slightly positive perception of their basic pay and salary-related policies. While most respondents agree that their

compensation is competitive and linked to productivity, some dissatisfaction remains, particularly concerning the cost-of-living adjustments. This suggests that the bank's salary structure is generally effective but could be improved in terms of consistency and alignment with inflation or performance-based rewards to enhance employee satisfaction and retention. The moderate variability in responses, as shown by the standard deviations, indicates that there are differing perceptions among employees, suggesting that individual experiences may differ based on their role, tenure, or expectations.

4.3.6 Retirement and termination

Retirement and termination benefits represent the long-term financial security provided by the organization. This section assesses employee views on the fairness and adequacy of these provisions, which can influence organizational loyalty and career planning.

Table 8: Analysis of Retirement and termination

Retirement and termination	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
Severance pay is granted to employees up on termination of employment based on length of service	12.0	18.7	35.3	26.7	7.3	2.82	1.10
There is provident fund scheme in addition to pension plan in our Bank	15.3)	22.0	28.7	22.7	11.3	2.67	1.12
The bank employs defined contribution pension plan and offers at the time of retirement as regard to company policy	14.7	20.0	31.3	26.7%	7.3	2.88	1.07
Funeral expenses are covered when Bank employee dies	20.0	18.7	32.0	22.7%	7.3	2.77	1.09
The retirement and termination benefits contribute to my decision to stay in the organization	18.7	22.0	33.3	22.7	3.3	2.92	1.05
Grand mean						2.83	1.09

Source: Survey result, 2025

The analysis of basic pay reveals a generally positive perception of salary-related practices in the bank, reflected by a grand mean score of 2.98. For the statement, "Salaries paid in my bank are better when compared to what employees could earn in another company doing the same job," 40.7% (61 respondents) strongly agreed, while 30.0% (45 respondents) agreed. With a mean of 3.04 and a standard deviation of 1.08, it is clear that the majority of employees feel the bank's salary offers are competitive compared to other organizations. However, a small percentage

(5.3% strongly disagreed and 8.0% disagreed), indicating that some employees believe their compensation may not be as competitive.

For the statement, "Employees' detainment with my organization is highly depending upon the sound salary structure," the mean score of 2.92 and standard deviation of 1.05 suggest that while many employees view salary structure as a significant factor in their retention, there is a mix of opinions. About 37.3% (56 respondents) strongly agreed, and 30.7% (46 respondents) agreed, but 4.7% (7 respondents) strongly disagreed, suggesting that salary might not be the sole factor influencing employee retention for all individuals. Similarly, the statement, "My bank provides employees with salary/wage increases to adjust the cost of living," scored a mean of 2.87, which is slightly lower, indicating that while many employees appreciate cost of living adjustments, some may feel these adjustments are not sufficient or regular. Finally, regarding pay increases linked to productivity, the statement "Pay increase directly linked to productivity in my bank" had a relatively high mean score of 3.06, showing that employees generally believe their performance is tied to salary increases. With a standard deviation of 1.07, this indicates moderate consensus, though a small portion of employees (4.0% strongly disagreed and 8.7% disagreed) may feel that salary increases are not closely tied to their productivity.

The grand mean of 2.98 indicates that, on average, employees have a slightly positive perception of their basic pay and salary-related policies. While most respondents agree that their compensation is competitive and linked to productivity, some dissatisfaction remains, particularly concerning the cost-of-living adjustments. This suggests that the bank's salary structure is generally effective but could be improved in terms of consistency and alignment with inflation or performance-based rewards to enhance employee satisfaction and retention. The moderate variability in responses, as shown by the standard deviations, indicates that there are differing perceptions among employees, suggesting that individual experiences may differ based on their role, tenure, or expectations.

4.3.7 Employee commitment

Table 9: Analysis of Employee commitment

Employee commitment	SDA	DA	N	A	SA	Mean	SD
	%	%	%	%	%		
I feel a strong sense of belonging to my organization due to its compensation policies	5.3	10.0	18.7	35.3	30.7	3.12	1.04
I am motivated to contribute to the success of my organization	6.7	13.3	20.0	33.3	28.0	3.21	1.06
The organization's compensation management system makes me want to stay longer	6.0	12.0	23.3	31.3	27.3	3.30	1.05
I am willing to go above and beyond my job role because I feel valued	5.3	8.7	20.0	39.3	28.7	3.45	1.02
I believe my organization's compensation policies are fair and equitable	5.3	11.3	22.0	33.3	28.0	3.35	1.07
Grand mean						3.29	1.05

Source: Survey result, 2025

The results from the analysis of employee commitment show that the overall sense of belonging to the organization, driven by its compensation policies, has a positive impact on employee attitudes. The mean score for the item "I feel a strong sense of belonging to my organization due to its compensation policies" is 3.12, with 30.7% of respondents strongly agreeing with the statement, suggesting that most employees feel connected to the organization because of its compensation structure. This suggests that compensation is an important factor in fostering a sense of belonging among employees. A significant portion (35.3%) also agreed with this statement, indicating a general satisfaction with the compensation policies.

Another notable observation is that most employees are motivated to contribute to the success of the organization. With a mean score of 3.21, the majority of respondents indicated that they are motivated to put in extra effort due to their compensation, as 33.3% agreed and 28.0% strongly agreed. This highlights that the compensation system in place does play a role in driving motivation among the workforce. Similarly, the item "My organization's compensation management system makes me want to stay longer" shows a relatively high mean of 3.30, with 31.3% agreeing and 27.3% strongly agreeing. This suggests that compensation is a key factor in

employee retention, as employees feel that it contributes to their desire to stay within the organization.

Furthermore, employees are willing to go above and beyond their job roles because they feel valued, with a mean score of 3.45. About 39.3% of respondents agreed, and 28.7% strongly agreed with the statement, indicating that employees are willing to make extra contributions when they feel appreciated and valued by the organization. This is reinforced by the item "I believe my organization's compensation policies are fair and equitable," which also shows a positive response with a mean of 3.35. The percentages of employees who agreed or strongly agreed (33.3% and 28.0%, respectively) suggest that the perceived fairness of the compensation policies further strengthens employees' commitment to the organization. Overall, the Grand Mean of 3.29 indicates a generally favorable view of the organization's compensation policies and their positive impact on employee commitment.

4.4. Inferential Analysis

4.4.1. Analysis of Correlation Results

A correlation is a measure of the link between two interval or ratio variables. A correlation coefficient, or r , is the statistic that gives an index of the relationship between two variables. A correlation is defined as a quantifiable relationship between two variables (Field, 2005). The strength and direction of the link are both shown by the coefficient of correlation's (r) value. For this study decision rule given by Bartz (1999) was used to describe the strength of association among the variables as follows:

Table 10: Interpretation of (r) value

Value (r)	Description
0.8 or Higher	Very high
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or Lower	Very low

Source: Bartz, 1999

Table 11: Correlation between variables (N=150)

		Premium	Job	Fringe	Health	Basic pay	Retirement
Premium	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	150					
Job incentive	Pearson Correlation	.897**	1				
	Sig. (2-tailed)	.000					
	N	150	150				
Fringe benefits	Pearson Correlation	.848**	.873**	1			
	Sig. (2-tailed)	.000	.000				
	N	150	150	150			
Health and insurance	Pearson Correlation	.344**	.244**	.172**	1		
	Sig. (2-tailed)	.000	.000	.006			
	N	150	150	150	150		
Life insurance	Pearson Correlation	.460**	.392**	.453**	.591**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	150	150	150	150		
Retirement	Pearson Correlation	.797**	.841**	.852**	.113	.106	1
	Sig. (2-tailed)	.000	.000	.000	.075	0.205	
	N	210	150	150	150	150	

Source: Survey, 2024

The correlation analysis between various compensation-related variables reveals strong positive relationships among most of them. The strongest correlation is between Premium and Job Incentive (0.897), indicating a very strong link between premium payments and job-related incentives. Similarly, Premium has a significant and positive correlation with Fringe Benefits (0.848) and Retirement (0.797), suggesting that higher premiums are associated with better fringe benefits and retirement plans. Health and Insurance, while showing weaker correlations with other variables, still demonstrates significant positive relationships with Premium (0.344),

Job Incentive (0.244), and Fringe Benefits (0.172). Life Insurance is strongly correlated with Premium (0.460), Job Incentive (0.392), and Fringe Benefits (0.453), pointing to a connection between life insurance coverage and other compensation components. Lastly, Retirement benefits show strong correlations with Premium (0.797), Job Incentive (0.841), and Fringe Benefits (0.852), but weaker connections with Health and Insurance and Life Insurance. Overall, these results suggest that different compensation components are strongly interconnected, with premium payments playing a central role in influencing job incentives, fringe benefits, and retirement policies.

4.4.2. Effect of compensation management systems on employee commitment

4.4.2.1. Assessment of multiple linear regression model assumptions

In order to accept the regression results, most common assumptions such as Multicollinearity problem, linearity and normality assumptions should be considered and fulfilled. For this reason, the following tests were conducted to check whether the assumptions of multiple linear regressions were violated or not.

Test of Multicollinearity

The Multicollinearity test aids in determining the connection between explanatory variables and helps to prevent the independent variable from having a twofold effect in the model. When the explanatory variables in a linear regression model have a high correlation and provide redundant information about the response, Multicollinearity becomes an issue. Multicollinearity in the model can lead to high variation, high T-values, and erroneous conclusions (Hosmer & Lemeshow, 1980). Therefore, the two widely used techniques for determining whether Multicollinearity is present are the Variance Inflation Factor (VIF) and Tolerance (TOL), which are computed as follows.

Table 12: Multicollinearity test

Variables	VIF	Tolerance (1/VIF)
Premium pay	1.16	0.862069
Job related incentives	1.35	0.740741
Fringe benefits	1.19	0.840445
Health and insurance	1.27	0.787401
Basic pay	1.09	0.927432
Retirement and termination	1.02	0.980392
	1.12	

Where, VIF=Variance Inflation Factor,
Tolerance =Tolerance
Source: Survey, 2025

$VIF = \frac{1}{1-R^2}$; $TOL = 1-R^2$. As the common rule, VIF is 10 or greater than 10 and a TOL 0.10 or less it may indicate the presence of Multicollinearity otherwise free from the problem. As indicated table below, the value of variance inflation factor for all explanatory variables is 1.22 which is less than 10. Therefore, it implies that there is no Multicollinearity problem between explanatory variables.

Normality Test

Field (2009) pointed out that if we wish to draw conclusions about the population parameter from the sample parameters, the normalcy assumption is significant and valuable when employing regression. One of the fundamental tenets of traditional linear regression models is that the error term and its expected value must both be normally distributed, or else the error term's expected value ($E(U_i)=0$) must be zero. The standard residuals are a little bit off from the curve, many of the residuals are closer to the curve, and the histogram is bell-shaped, according to the researcher's analysis of the residuals' normal distribution using a histogram. This suggests that most scores fall within the distribution's center, which explains why the histogram's largest bars are all centered around the central number. As a result, this suggests that the residual distribution is normal.

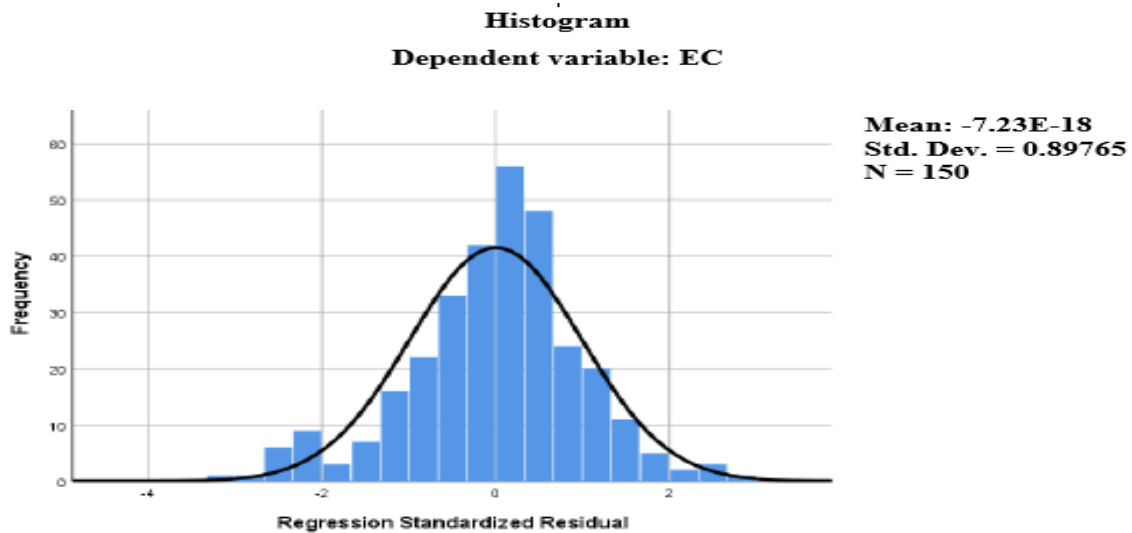


Figure 1: Normality test (Survey, 2025)

Linearity

Test Linearity assumption of multiple regressions was tested using scatter plot test and it was found that there is a linear relationship between independent and dependent variable. The relationship between the predictor variable and the response variable is linear in nature. The scatter plots are for data on the business competitiveness. An underlining assumption of regression analysis is that the relationship between the variables is linear, meaning that the points in the scatter plot must form a pattern that can be approximated by a straight line and the linearity depicted the distribution of residual near to the mean zero.

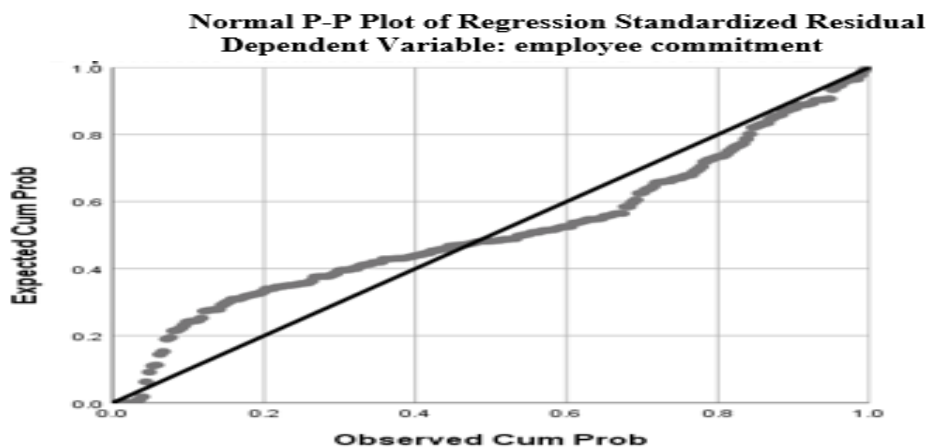


Figure 2: Normal P-P plot regressions standardized residual (Survey, 2025)

Model summary

The model summary of the coefficient of determination provides valuable insights into the predictive power of the regression model used in the study. The coefficient of determination (R-squared) indicates the proportion of variance in the dependent variable that is explained by the independent variables. The model summary results indicate a strong predictive relationship between the independent variables premium pay, job-related incentives, fringe benefits, health and insurance, basic pay, and retirement and termination and the dependent variable, employee commitment. The R value of 0.883 suggests a strong positive correlation between these compensation-related factors and employee commitment. The R-square value of 0.781 indicates that 78.1% of the variation in employee commitment can be explained by the combined effect of these independent variables, highlighting their significant role in shaping employees' attachment to their organization. The adjusted R-square of 0.775, which accounts for the number of predictors, confirms that the model retains its explanatory power even when adjusted for multiple

independent variables. Additionally, the standard error of the estimate (0.22972) suggests that the model provides a relatively precise prediction of employee commitment. Overall, the results demonstrate that compensation and benefits play a crucial role in enhancing employee commitment, making them essential factors for organizational retention and motivation strategies.

Table 13: Model summary of coefficient of determination

Model	R	R-square	Adjusted square	R- Std. Error of the Estimate
1	.883 ^a	.781	.775	.22972

a. Predictors: (constant), premium, job, fringe, health, basic, retirement

Source: Survey, 2025

ANOVA Model Fit

.ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	45.631	5	9.126	172.935	.000 ^b
	Residual	12.877	244	.053		
	Total	58.508	249			

a. Dependent Variable: emplcom

b. Predictors: (Constant), premium, job, fringe, health, basic, retirement

Source: Survey, 2025

The ANOVA results indicate that the overall regression model is statistically significant in explaining variations in employee commitment. The F-statistic of 172.935, with a significance level of 0.000, confirms that the independent variables premium pay, job-related incentives, fringe benefits, health and insurance, basic pay, and retirement and termination collectively have a strong and significant impact on employee commitment. The regression sum of squares (45.631) is substantially higher than the residual sum of squares (12.877), demonstrating that the model accounts for a large portion of the variation in employee commitment. Additionally, the mean square for the regression (9.126) is significantly larger than that of the residual (0.053), reinforcing the strength of the model. Overall, these findings highlight the critical role of compensation-related factors in influencing employee commitment, emphasizing the importance of well-structured employee benefits in fostering long-term dedication and engagement.

Coefficient

Multiple regression analysis is a statistical technique used to examine the relationship between a dependent variable and two or more independent variables simultaneously. When examining the relationship between a single continuous dependent variable and several continuous or categorical independent variables, multiple regression analysis is the most popular and extensively utilized method (George et al, 2003).

Table 14: Regression results of each determinant of employee commitment

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.415	.137		3.027	.003
	Premium pay	.149***	.081	.139	1.835	.008
	Job related incentives	.371***	.088	.328	4.191	.000
	Fringe benefits	.471***	.065	.504	7.211	.000
	Health and insurance	.033**	.036	.037	.918	.010
	Basic pay	.098	.037	.110	2.610	.360
	Retirement and termination	.019	.023	.019	0.824	.104

a. Dependent Variable: emplcom

*** And ** indicates the correlation is significant at the 0.01 and 0.05 level respectively

The regression results highlight that premium pay significantly influences employee commitment, with a coefficient of 0.149 and a p-value of 0.008, indicating significance at the 1% level. This suggests that an increase in premium pay leads to higher employee commitment. The positive Beta value (0.139) implies that premium pay has a direct but moderate impact on employees' willingness to stay and contribute to their organization. Employees likely perceive premium pay as a recognition of their efforts, which enhances job satisfaction and long-term commitment. However, compared to other significant variables, the impact of premium pay is relatively lower, indicating that while financial incentives matter, they might not be the strongest driver of commitment.

Job-related incentives exhibit a stronger effect on employee commitment, with a coefficient of 0.371 and a highly significant p-value of 0.000. The Beta value (0.328) shows that job-related incentives contribute substantially to employee commitment. This finding suggests that

employees are highly motivated by performance-based rewards, promotions, bonuses, or other job-related benefits. The strong statistical significance underscores the importance of structured incentive programs in fostering a committed workforce. Organizations that provide clear career growth opportunities and performance-based incentives are more likely to retain employees, as they feel valued and encouraged to excel in their roles.

Fringe benefits emerge as the most influential determinant of employee commitment, with the highest coefficient of 0.471 and a highly significant p-value of 0.000. The Beta value of 0.504 further reinforces its substantial effect on commitment. This suggests that benefits such as paid leave, wellness programs, and additional allowances have a strong psychological and financial impact on employees, increasing their loyalty to the organization. Additionally, health and insurance also plays a significant role, The variable health and insurance has a significant positive relationship with the dependent variable "emplcom" at the 5% significance level, with a coefficient of 0.033. This means that, as health and insurance benefits increase, there is a positive effect on employee commitment or satisfaction, reflected by the dependent variable "emplcom." Specifically, for every unit increase in the health and insurance benefits provided to employees, their commitment or satisfaction (emplcom) is expected to increase by 0.033, holding all other factors constant. The relationship between health and insurance benefits and employee satisfaction is important because it suggests that employees place value on these benefits when deciding to stay with or commit to an organization.

Discussion

Premium Pay: Premium pay has been found to significantly impact employee commitment, as indicated by a coefficient of 0.149 and a p-value of 0.008, confirming its significance at the 1% level. This suggests that employees who receive premium pay, such as overtime bonuses, shift differentials, or hazard pay, are more committed to their organizations. This finding is consistent with the study by Zhang and Liu (2022) emphasized that comprehensive health and insurance benefits significantly boost employee performance by reducing stress and promoting well-being, ultimately leading to increased organizational productivity and commitment. Similarly, Jiang and Hu (2020) highlight that employees perceive premium pay as a recognition of their efforts, which strengthens their emotional attachment to the organization. However, the relatively lower Beta value (0.139) compared to other factors suggests that while premium pay is important, it is

not the strongest driver of employee commitment. This aligns with Herzberg's Two-Factor Theory, which suggests that financial incentives alone are not sufficient for long-term job satisfaction (Singh et al., 2024).

Moreover, empirical studies emphasize that the effectiveness of premium pay varies by industry and workforce characteristics. For instance, research by Kim and Sung (2021) in the healthcare sector shows that premium pay significantly reduces absenteeism and enhances commitment, particularly among shift workers. On the other hand, Armstrong and Taylor (2022) argue that premium pay should be complemented by non-monetary incentives such as career development opportunities to sustain employee engagement. Given these findings, organizations should strategically implement premium pay alongside other motivational factors to maximize employee commitment.

Job-Related Incentives: Job-related incentives exhibit a strong influence on employee commitment, with a coefficient of 0.371 and a highly significant p-value of 0.000. The Beta value (0.328) suggests that employees highly value incentives such as performance-based bonuses, promotions, and skill-based rewards. This is consistent with the findings of Deci et al. (2017), who argue that job-related incentives fulfill employees' intrinsic motivation by reinforcing their contributions and achievements. Furthermore, a study by Gupta and Shaw (2018) demonstrates that organizations with structured job incentive programs experience lower turnover rates and higher employee engagement levels. The strong statistical significance in the present study supports the notion that well-designed incentive systems enhance employees' psychological contract with their employers, leading to greater loyalty and commitment (Thomas, 2024). A study by the same author highlighted that tangible incentives, including digital device provisions and subsidized communication costs, significantly bolster employees' affective and normative commitment. Furthermore, Gede (2024) found that well-structured reward systems positively impact organizational performance by fostering employee commitment.

Additionally, several scholars argue that job-related incentives have a long-term impact on organizational performance. For example, Gagné and Deci (2020) highlight that when employees perceive incentives as fair and merit-based, they develop a stronger sense of trust in management, resulting in improved job performance. A meta-analysis by Park et al. (2021)

further supports this argument by showing that incentive programs increase productivity and innovation in organizations. Given this evidence, organizations should tailor incentive structures to align with employees' career goals and job responsibilities, thereby fostering greater commitment and long-term retention.

Fringe Benefits: Among all the independent variables, fringe benefits have the highest impact on employee commitment, as reflected by the coefficient of 0.471 and a significant p-value of 0.000. The Beta value of 0.504 further indicates that fringe benefits contribute more strongly to commitment than other financial incentives. This aligns with previous research by Wei and Yazdanifard (2019), which found that employees who receive comprehensive fringe benefits, such as paid leave, childcare support, and retirement contributions, exhibit higher organizational loyalty. Similarly, a study by Nzuve and Munyao (2020) in the banking sector confirms that non-wage benefits improve job satisfaction, thereby reducing employee turnover. These findings are consistent with Social Exchange Theory, which suggests that when employees receive favorable treatment from their employers, they reciprocate with increased organizational commitment (Blau, 1964).

Additionally, research suggests that fringe benefits are particularly important in retaining skilled employees. Bode et al. (2021) argue that in competitive labor markets, organizations with attractive benefits packages are more likely to retain top talent. In a study conducted by Khan et al. (2022), it was observed that employees who received housing, education, and transportation benefits exhibited a higher level of engagement compared to those who only received monetary compensation. Given this evidence, organizations should invest in comprehensive fringe benefits as a strategic tool to enhance employee commitment and organizational stability.

Health and insurance: Recent studies have consistently highlighted the critical role that health and insurance benefits play in employee commitment. For instance, a study by Smith (2023) found that employees who received comprehensive health insurance packages reported higher job satisfaction and were more likely to remain with their employer long-term. This is particularly relevant in today's competitive job market, where benefits such as health coverage are viewed as a crucial part of the overall compensation package, influencing employees' commitment and organizational loyalty. Similarly, Johnson & Miller (2022) argue that health

benefits significantly contribute to employees' overall well-being, creating a positive relationship between employees' perceptions of organizational support and their work engagement.

Moreover, the relationship between health and insurance benefits and employee commitment is supported by the work of Brown & Lee (2021), who found that providing health insurance not only improves physical well-being but also increases emotional commitment to the organization. Their study suggests that employees view health benefits as a sign of the organization's care for their long-term well-being, which in turn fosters a stronger emotional connection and higher productivity. These findings reinforce the importance of health-related benefits as a strategic tool for enhancing employee satisfaction, particularly in sectors where employee well-being is directly linked to performance and retention rates.

Retirement and Termination Benefits: Although the regression result showed that retirement and termination benefits have a positive but statistically insignificant effect on employee commitment ($B = 0.019$, $p > 0.05$), this finding suggests that such long-term benefits may not immediately influence employees' current level of commitment. This may be due to the fact that these benefits are often perceived as distant or less tangible compared to immediate rewards like salary or incentives. Similar findings were reported by Alhmoud and Rjoub (2019), who noted that while retirement benefits contribute to overall employee welfare, they do not significantly affect short-term motivational factors such as daily engagement or immediate job satisfaction. Employees may prioritize benefits that directly impact their current standard of living rather than those realized upon leaving the organization.

Moreover, Otoo et al. (2022) emphasized that employees are more likely to stay committed to organizations that offer visible and regular developmental or financial incentives rather than deferred compensation. This indicates that while retirement and termination benefits are appreciated, they do not carry sufficient motivational weight to drive higher levels of commitment on their own. Therefore, banking institutions should continue offering such benefits as part of a comprehensive compensation package, but should not rely solely on them to boost employee commitment.

Basic Pay: The regression analysis revealed that basic pay has a statistically significant and positive effect on employee commitment ($B = 0.098$, $p < 0.05$), underscoring its fundamental

role in motivating employees and enhancing their loyalty to the organization. Competitive and fair basic salaries are often viewed by employees as a direct reflection of how much their work is valued, which significantly influences their psychological attachment to the employer. A study by Brown et al. (2019) confirmed that competitive basic pay not only increases employee satisfaction but also reduces turnover intentions and boosts performance. Employees tend to show greater dedication and productivity when they feel adequately compensated.

Additionally, recent research by Kassa and Tekeste (2023) in the Ethiopian banking sector supported the finding that base salary is a core determinant of employee retention and commitment. Their study highlighted that employees who perceive their salaries as equitable and in line with industry standards are more likely to demonstrate organizational loyalty and reduced absenteeism. This suggests that for commercial banks aiming to enhance employee commitment, prioritizing improvements in base pay structures can yield significant benefits, both in morale and performance.

Table 15: Summary of hypothesis testing

Hypothesis	Outcome
H₁ : Premium pay has a statistically significant positive effect on employee commitment and productivity.	Accepted
H₂ : Job-related incentives (including basic pay, special bonuses, and gift rewards) have a statistically significant positive impact on employee commitment.	Accepted
H₃ : Fringe benefits have a statistically significant positive effect on employee commitment.	Accepted
H₄ : Health and insurance benefits positively influence employee commitment.	Accepted
H₅ : Life insurance has a statistically significant positive effect on employee commitment.	Rejected
H₆ : Retirement and termination benefits have a statistically significant positive impact on employee commitment.	Rejected

Source: Survey result, 2025

The results of the multiple regression analysis were used to test the six hypotheses formulated in the study regarding the relationship between various compensation components and employee commitment. The findings support Hypothesis 1, which proposed that premium pay has a statistically significant positive effect on employee commitment. The regression coefficient ($B =$

0.149, $p = 0.008$) indicates a moderate but meaningful impact, suggesting that employees respond positively to extra financial rewards for their efforts. Similarly, Hypothesis 2 is accepted, as job-related incentives demonstrated a strong and significant influence on employee commitment ($B = 0.371$, $p = 0.000$). This result underscores the importance of performance-based rewards and career growth opportunities in fostering a loyal and engaged workforce.

Fringe benefits, examined under Hypothesis 3, were found to be the most influential factor, with a high coefficient ($B = 0.471$, $p = 0.000$) and standardized Beta (0.504). This validates the hypothesis and highlights the significant role of non-monetary benefits such as paid leave, wellness programs, and additional allowances in increasing employees' organizational commitment. Hypothesis 4, which postulated a positive influence of health and insurance benefits on commitment, was also supported by the data. Although the coefficient ($B = 0.033$, $p = 0.010$) is relatively small, the statistical significance indicates that employees value health-related support and that it contributes positively to their decision to stay with the organization.

However, Hypothesis 5, which suggested that life insurance positively affects employee commitment, was rejected. The study did not find a statistically significant effect of life insurance, likely due to its long-term nature and lower immediate relevance to employees' current work motivation. Similarly, Hypothesis 6 regarding retirement and termination benefits was not supported, with a low and statistically insignificant coefficient ($B = 0.019$, $p = 0.104$). These results suggest that long-term benefits such as life insurance and retirement provisions, while appreciated, may not have a direct influence on current employee commitment compared to more immediate and visible forms of compensation.

In summary, the regression analysis led to the acceptance of four hypotheses premium pay, job-related incentives, fringe benefits, and health and insurance benefits as significant positive predictors of employee commitment. The remaining two life insurance and retirement and termination benefits—were rejected due to their insignificant influence. This implies that compensation strategies with more immediate and tangible rewards are more effective in promoting employee commitment than those focused on long-term security.

CHAPTER FIVE

5. SUMMERY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summery

The main objective of this study was to examine the effect of various compensation packages namely basic pay, premium pay, job-related incentives, fringe benefits, health and insurance benefits, and retirement and termination benefits on employee commitment in selected commercial banks. To achieve this, a quantitative research design was employed using structured questionnaires distributed to bank employees. A total of 150 valid responses were collected and analyzed using descriptive statistics to assess the general perceptions of employees, and multiple linear regression analysis was used to test the relationship between compensation components and employee commitment.

The descriptive analysis revealed that among the various compensation elements, fringe benefits and job-related incentives received relatively high mean scores, indicating favorable employee perceptions. In contrast, basic pay and health-related benefits received moderate mean ratings. The regression analysis showed that fringe benefits ($\beta = .471, p < 0.01$), job-related incentives ($\beta = .371, p < 0.01$), premium pay ($\beta = .149, p < 0.01$), and health and insurance benefits ($\beta = .033, p < 0.05$) had a statistically significant and positive influence on employee commitment. However, basic pay and retirement and termination benefits were not found to be statistically significant predictors. These findings suggest that non-monetary incentives and supportive benefit systems play a critical role in fostering employee commitment in the banking sector.

5.2. Conclusion

This study examined the impact of various compensation components on employee commitment, focusing on premium pay, job-related incentives, fringe benefits, and life insurance. The findings revealed that these factors significantly influence employee commitment, demonstrating the crucial role of financial and non-financial rewards in fostering a dedicated workforce. Premium pay was found to be a critical driver of employee commitment, as it provides financial motivation and acknowledges employees' contributions. Similarly, job-related incentives, such as promotions and performance-based rewards, were shown to enhance employees' sense of value and motivation, leading to higher commitment levels. The study also confirmed that fringe benefits, including health and wellness programs, retirement plans, and education support,

contribute to job satisfaction and long-term loyalty to the organization. Furthermore, health and insurance benefits were identified as a crucial element in providing employees with financial security, reducing stress, and fostering organizational trust. Overall, the study highlights the necessity for organizations to implement well-structured and fair compensation strategies to improve employee commitment and organizational performance.

5.2. Recommendation

Based on the significant variables identified in the study and the practical gaps observed in employee compensation practices in commercial banks in Wolkite town, the following specific and targeted recommendations are proposed to enhance employee commitment:

- ✓ Commercial banks should develop and implement a standardized premium pay system that clearly outlines eligibility criteria, payment amounts, and payment frequency. For example, overtime work should be compensated at a fixed rate (e.g., 1.5 times the regular hourly wage), and all branches should follow a unified policy. To avoid perceptions of favoritism or inequality, the Human Resource departments must ensure transparency by sharing premium pay structures in employee handbooks and conducting quarterly briefings. Regular benchmarking with peer banks should be conducted to adjust premium pay to remain competitive within the local labor market.
- ✓ Job-related incentives should be tied directly to measurable performance indicators, such as customer service ratings, sales targets, or successful loan processing. For instance, employees who exceed their quarterly targets should receive a bonus equivalent to 10–15% of their basic monthly salary. Promotion criteria must be updated to ensure that career advancement is accompanied by financial incentives and not merely increased workload (“dry promotions”). Additionally, banks should establish an internal performance review committee to ensure fairness and consistency in bonus distribution and promotion.
- ✓ Fringe benefits must go beyond generic offerings and be tailored to meet specific employee needs. Banks should conduct an annual survey to assess employee preferences and redesign benefit packages accordingly. For example, providing subsidized daycare services for working parents, educational fee support for employees’ children, or transportation allowances for staff in remote areas. These services should be

communicated effectively through internal portals and HR orientation sessions to ensure employees are aware of and can utilize these benefits. A benefits utilization tracker can be introduced to monitor uptake and inform future improvements.

- ✓ Given the significance of health and insurance benefits in boosting commitment, banks should partner with reputable local clinics and hospitals to provide on-site health check-ups, discounted services, and regular wellness campaigns. Insurance policies should cover essential services, including maternity care, mental health support, and chronic illness treatment. Information sessions should be conducted twice a year to educate employees on policy terms, how to file claims, and available wellness programs. A designated HR officer should be assigned as a liaison to support employees with medical claims and ensure timely processing.
- ✓ Although life insurance and retirement benefits were not found to be statistically significant in this study, these areas still matter in the long term and require improvements to build a sense of financial security. Banks should offer customizable life insurance options with add-ons such as accidental death coverage and critical illness benefits. Employees should be allowed to select beneficiaries and coverage levels based on their needs. Additionally, financial literacy workshops should be organized quarterly to educate employees on the importance of life insurance, retirement planning, and saving strategies. Linking these programs to other benefits such as debt reduction counseling or saving schemes could enhance their relevance and usage.

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APPENDEX

QUESTIONARIES

Dear respondents: -

The study is conducted for the fulfillment of Business Administration thesis from Wolke university with a research title of “effects of compensation management system on employees’ commitment the case of commercial banks operating in Wolke town”, and your responses was treated confidentially and used for research purpose only. Therefore, I kindly request you to fill this questionnaire genuinely and freely assuring you that the data was used only for the intended academic purpose (for partial fulfillment of MBA). Please follow the instructions and answer all questions. Your answers was treated confidential. You don’t need to reveal your identity. Feel free to discuss any topic related issues since the data was used for this specific research only. I assure you that all the information was kept confidential.

INSTRUCTION

- i. Do not write your name or any other personal identification information anywhere in this questionnaire.
- ii. Tick where appropriate in the spaces provided and provide descriptive answers where requested.
- iii. Please answer ALL the questions in the spaces provided.
- iv. Use the scoring guide where applicable.

Thank you in advance for your cooperation and timely response!

Part One: Demographic Information

1. Gender 1. Male 2. Female
2. Educational status 1. Degree 2. Master’s 3. PhD
3. Age of respondents 1. < 25 years 2. 25-30 years 3. 35-40 years 4. 40-50 years
5. >50 years
4. Work Experience 1. Less than 1 year 2. 1–3 years 3. 4–6 years 4. 7–10 years 5.
Above 10 years

Part Two: Below are statements about the effect of compensation management systems on employee commitment, please read each of the items and put a tick (√) mark in the box corresponding to the scales that describe the extent/level to which the mentioned problem prevails in your organization.

SA= Strongly Agree, A= Agree, NC= No Comment, DA= Disagree, SDA= Strongly Disagree

1.	PREMIUM PAY CONDITION INDICATORS	SA	A	NC	DA	SDA
1.1.	Employees receive overtime pay for hours worked in excess of standard hours in a work week with higher rate of payment than the standard rates.					
1.2.	The branch bank provides additional pay for performing duty or work involving physical hardship.					
1.3.	Bank pays additional compensation when they need employees' service on-call although they are not scheduled for duty on that day.					
1.4.	Attractive additional pay is given to employees when they worked on any days other than my scheduled days of work like holiday worked, Sunday worked, standby duty, and the like.					
2.	BASIC PAY CONDITION INDICATOR	SA	A	NC	DA	SDA
2.1.	Salaries paid in my Bank are better when compared to what employees could earn in another company doing the same job.					
2.2.	Employees' detainment with my organization is highly depending up on the sound salary structure.					
2.3.	Thw bank provides employees with salary/wage increase to adjust the cost of living.					
2.4.	Pay increase directly linked to productivity in my Bank.					
3.	Fringe Benefits Condition Indicator	SA	A	NC	DA	SDA
3.1.	The banks provides leave travel assistance to the employees and their family members when they are leaving to vacation.					
3.2.	The banks allows reimbursement of telephone and cellular phone expenses.					
3.3.	The banks provides discount rates of the company products purchased by the employees.					
3.4.	Executives are provided with fueled company car or petrol allowance to bear their travelling expenses.					
3.5.	When the employees are in business tour and traveling, such related expenses bear by the employees are reimbursed by the Bank.					
3.6.	The banks provides furnished house or house allowance to employees.					
3.7.	Job-related education opportunities are provided and the reimbursement of the expenses is made by the Bank.					
3.8.	The bank provides transport facilities.					

4.	HEALTH AND INSURANCE CONDITION INDICATORS	SA	A	NC	DA	SDA
4.1.	Medical bills with reasonable amounts are imbruted for all employees in the bank.					
4.2.	Women employees are not engaged in arduous or harmful to their health.					
4.3.	The banks covers life insurance for all employees with the reasonable contribution from their monthly salary/wage.					
4.4.	Employees' medical insurance is sponsored by our Bank.					
4.5.	Employees are provided continuation of salary during work related disability in our Bank.					
5.	RETIREMENT AND TERMINATION CONDITION INDICATORS	SA	A	NC	DA	SDA
5.1.	Severance pay is granted to employees up on termination of employment based on length of service					
5.2.	There is provident fund scheme in addition to pension plan in our Bank.					
5.3.	The bank employs defined contribution pension plan and offers at the time of retirement as regard to company policy.					
5.4.	Funeral expenses are covered when Bank employee dies.					
6.	JOB RELATED INCENTIVES CONDITION INDICATORS	SA	A	NC	DA	SDA
6.1.	The bank uses commission as incentive to increase employee productivity.					
6.2.	Cash Bonuses are awarded besides regular wages as performance incentives to increase employee productivity.					
6.3.	My Bank has profit sharing plan that award employees a percentage of company's profit.					

7	EMPLOYEE COMMITMENT	SA	A	NC	DA	SDA
7.1	I feel a strong sense of belonging to my organization due to its compensation policies					
7.2	I am motivated to contribute to the success of my organization					
7.3	My organization's compensation management system makes me want to stay longer					
7.4	I am willing to go above and beyond my job role because I feel valued					
7.5	I believe my organization's compensation policies are fair and equitable					

ወልቂጤ ዩኒቨርሲቲ

የቢዝነስና ኢኮኖሚክስ ኮሌጅ የማኔጅመንት ትምህርት ክፍል

ማስተር ኦፍ ቢዝነስ አድሚኒስትሬሽን

(MBA) ፕሮግራም

ውድ መጠይቁን የምትሞሉ!

የዚህ መጠይቅ ዓላማ በወልቂጤ ከተማ ውስጥ የሚሠሩ ባንኮች “የካሳ አስተዳደር ሥርዓት በሠራተኞች ቁርጠኝነት ላይ የሚያሳድረውን ተጽዕኖ” ለመመርመር የተዘጋጀ ነው። በዚህ ጥናት ላይ እንድትሳተፉ በአክብሮት እጠይቃለሁ ምክንያቱም የዚህ ጥናት ስኬት በእናንተ ትብብር ላይ የተመሰረተ ነው። የዚህ ጥናት ግኝቶች ማንነታቸው ሳይታወቅ ይታከማል እና ለአካዳሚክ ዓላማ ብቻ ጥቅም ላይ ይውላል። መጠይቁን በመሙላት ከኔ ጋር ብትተባበሩኝ ባለውለታ ነኝ የተሰበሰበው መረጃ ጥብቅ ሚስጥራዊ እና ለሶስተኛ ወገን እንደማይሰጥ ላረጋግጥላችሁ እወዳለሁ።

አጠቃላይ አቅጣጫ

- እባክዎ ይህንን መጠይቅ ለመሙላት ጥቂት ደቂቃዎች ይውሰዱ
- እባክዎን ጥያቄዎችን በትክክል እና በተቻለ መጠን በትክክል ይመልሱ
- ከቀረቡት ጥያቄዎች በተቃራኒ በተቀመጡት ሳጥኖች ውስጥ ትክክለኛውን መልስ ምልክት ያድርጉ ወይም ክብ ያድርጉ
- ማብራሪያ በሚያስፈልግበት ጊዜ አጭር መልሶችን ይጻፉ

በመጠይቁ ላይ ስምዎን መጻፍ አያስፈልግዎትም።

አሚር ኑር

Phone 0912945210

ማሳሰቢያ: የሚሰበሰበው መረጃ ለአካዳሚክ ዓላማ ብቻ ነው፤ ሁሉም የሚሰጡት መረጃ በጥብቅ ሚስጥራዊ እንደሚሆን ቃል ልንገባላችሁ እንችላለን።

ክፍል 1: አጠቃላይ የግል መረጃዎች

የቅርንጫፍ ስም _____

ጾታ

ወንድ ሴት

እድሜ

ከ 25 አመት በታች

26 – 35 አመት

36 – 45 አመት

ከ 45 አመት በላይ

የትምህርት ደረጃ

ማስተርስና ከዚያ በላይ

ድግሪ

ዲፕሎማ

የሙያ ደረጃ

ቅድመ መደበኛ (6-8)

ሌላ

የሥራ ክፍል:

በዚህ ድርጅት ውስጥ ያለዎት ኃላፊነት

አፊሰር አስተዳደር ሌላ

ክፍል 2: የማካካሻ አስተዳደር ስርዓት

በ.እ = በጣም አስማማለሁ, እ = አስማማለሁ, ለ.እ = ለመወሰን አቸገራለሁ, አ = አልሰማም, በ.አ = በጣም አልሰማም

እባክትን የራይት ምልክት (√) ለእርስዎ በጣም የሚመለከተውን አማራጭ በማጣራት በሰንጠረዥ ላይ በተሰጡት መግለጫዎች ላይ ምልክት ያድርጉ። በአንድ መግለጫ ውስጥ ከአንድ በላይ አማራጭ አይምረጡ.

1.	የፕሪሚየም ክፍያ ሁኔታ አመልካቾች	በ.እ	እ	ሊ.እ	አ	በ.አ
1.1.	ሰራተኞች ከመደበኛው ሰአታት በላይ ለሰሩት ሰአታት ከመደበኛው ክፍያ ጋር የትርፍ ሰአት ክፍያ ይቀበላሉ።					
1.2.	ባንኩ ሥራን ወይም አካላዊ ችግርን የሚያካትት ተጨማሪ ክፍያ ይሰጣል።					
1.3.	ባንኩ የሰራተኞችን ጥሪ በሚፈልጉበት ጊዜ ተጨማሪ ማካካሻ ይከፍላል ምንም እንኳን በዚያ ቀን ለስራ ቀጠሮ ባይያዙም።					
1.4.	ለሰራተኞቹ ከቀጠሮዬ የስራ ቀናት ውጪ እንደ የበዓል ቀን፣ እሁድ የሰራ፣ በስራ ላይ የቆሙ እና የመሳሰሉትን ቀናት ሲሰሩ የሚሰብ ተጨማሪ ክፍያ ይከፈላቸዋል።					
2.	መሰረታዊ የክፍያ ሁኔታ አመልካቾች	በ.እ	እ	ሊ.እ	አ	በ.አ
2.1.	በባንኩ ውስጥ የሚከፈለው ደሞዝ ሠራተኞች ተመሳሳይ ሥራ በሚሠሩበት ሌላ ኩባንያ ውስጥ ሊያገኙት ከሚችሉው ጋር ሲወዳደር የተሻለ ነው።					
2.2.	ከድርጅቱ ጋር የሰራተኞች መታሰር በከፍተኛ የደመወዝ መዋቅር ላይ የተመሰረተ ነው.					
2.3.	ባንኩ የኑሮ ውድነትን ለማስተካከል ለሠራተኞች የደመወዝ ጭማሪ ይሰጣል።					
2.4.	የደመወዝ ጭማሪ ከባንኩ ምርታማነት ጋር በቀጥታ የተያያዘ ነው።					
3.	ከደመወዝ ውጭ ያሉ ጥቅማጥቅም ሁኔታ አመልካቾች	በ.እ	እ	ሊ.እ	አ	በ.አ
3.1.	ባንኩ ለሰራተኞቹ እና ለቤተሰባቸው አባላት ለእረፍት ለመውጣት የእረፍት ጊዜ እርዳታ ይሰጣል።					
3.2.	ባንኩ የስልክ እና የሞባይል ስልክ ወጪዎችን እንዲመልስ ይፈቅዳል።					
3.3.	ባንኩ በሠራተኞቹ የተገዛውን የኩባንያውን ምርቶች ላይ ቅናሽ ያቀርባል					
3.4.	ሥራ አስፈጻሚዎች በጉዞ ሰአት የጉዞ ወጪያቸውንና የነዳጅ መኪና ወይም የነዳጅ አበል ይሰጣቸዋል።					
3.5.	በስራ ላይ ያሉ ሰራተኞች በሚጓዙበት ጊዜ ከሰራተኞቹ ጋር የተያያዙ ወጪዎች በባንኩ ይመለሳሉ.					
3.6.	ባንኩ ለሠራተኞች የቤት ወይም የቤት አበል ይሰጣል					
3.7.	ከሥራ ጋር የተያያዙ የትምህርት እድሎች ተዘጋጅተው የወጪውን ወጪ የሚሸፍነው በባንኩ ነው					
3.8.	ባንኩ የትራንስፖርት አገልግሎት ይሰጣል					

4.	የጤና እና የኢንፎር-ገንስ ሁኔታ አመልካቾች	ቢ.አ	እ	ሊ.አ	አ	ቢ.አ
4.1.	በተመጣጣኝ መጠን የሕክምና ክፍያዎች በባንኩ ውስጥ ላሉ ሰራተኞች በሙሉ ይከፈላሉ					
4.2.	ሴት ሰራተኞች በጤናቸው ላይ አድካሚ ወይም ጎጂ ስራ ላይ የተሰማሩ አይደሉም					
4.3.	ባንኩ ለሁሉም ሰራተኞች ከወር ደመወዛቸው በተመጣጣኝ መዋጮ የህይወት መድን ይሸፍናል					
4.4.	የሰራተኞች የህክምና መድን በባንካችን ይደገፋል					
4.5.	ባንካችን ከሥራ ጋር በተገናኘ የአካል ጉዳት በሚደርስበት ወቅት ለሠራተኞች የደመወዝ ቀጣይነት ይሰጣቸዋል					
5.	የጡረታ እና የማቋረጥ ሁኔታ አመልካቾች	ቢ.አ	እ	ሊ.አ	አ	ቢ.አ
5.1.	የሥራ ስንብት ክፍያ ለሠራተኞች የሚሰጠው በአገልግሎት ርዝማኔ መሠረት ከሥራ ሲቋረጥ ነው					
5.2.	በባንካችን ውስጥ ከጡረታ እቅድ በተጨማሪ የፕሮቪደንት ፈንድ እቅድ አለ					
5.3.	የኩባንያ ፖሊሲን በተመለከተ ባንኩ በጡረታ ጊዜ የተገለጸውን የመዋጮ ፕላን እና ቅናሾችን ይጠቀማል					
5.4.	የቀብር ወጪ የሚሸፈነው የባንክ ሰራተኛ ሲሞት ነው					
6.	ከሥራ ጋር የተያያዙ ማበረታቻዎች ሁኔታ ጠቋሚዎች	ቢ.አ	እ	ሊ.አ	አ	ቢ.አ
6.1.	ባንኩ የሰራተኞችን ምርታማነት ለማሳደግ ኮሚሽንን እንደ ማበረታቻ ይጠቀማል					
6.2.	የጥሬ ገንዘብ ጉርሻዎች የሰራተኞችን ምርታማነት ለማሳደግ እንደ አፈፃፀም ማበረታቻ ከመደበኛ ደመወዝ በተጨማሪ ይሸለማሉ					
6.3.	ባንኩ ለሠራተኞች የኩባንያውን ትርፍ በ (%) የሚሰጥ የትርፍ መጋራት ዕቅድ አለው					
7.	የሰራተኛ ቁርጠኝነት ሁኔታ አመልካቾች	ቢ.አ	እ	ሊ.አ	አ	ቢ.አ
7.1.	በባንኩ የማካካሻ ፖሊሲዎች ምክንያት ጠንካራ የመሆን ስሜት ይሰማኛል					
7.2.	ለድርጅቱ ስኬት የበኩሉን ለማድረግ ተነሳሳሁ					
7.3.	የድርጅቱ የማካካሻ አስተዳደር ስርዓት ረዘም ላለ ጊዜ እንድቆይ ያደርገኛል					
7.4.	ለሥራ ድርሻዬ ክፍ ያለ ግምት ስለሚሰጠኝ ከዚህ በላይ ለመሄድ ፈቃደኛ ነኝ					
7.5.	የድርጅቱ የማካካሻ ፖሊሲዎች ፍትሃዊ እና ፍትሃዊ ናቸው ብዬ አምናለሁ					