



**A COMPARATIVE STUDY ON THE EFFECT OF INCENTIVE  
PACKAGES ON EMPLOYEE PERFORMANCE: INCASE OF  
SELECTED BRANCHES OF MICRO-FINANCE INSTITUTIONS  
IN WOLAITA ZONE**

**MBA THESIS**

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**WOLKITE UNIVERSITY**

**MAY, 2020**

**WOLKITE, ETHIOPIA**

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IN WOLAITA ZONE**

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**A THESIS SUBMITTED TO THE  
DEPARTMENT OF MANAGEMENT  
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**IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR  
THE DEGREE OF  
MASTER OF ART IN BUSINESS ADMINISTRATION (MBA)**

**MAY, 2020**

## **DECLARATION**

This thesis is my original work and has not been presented for a degree in any other college, institution or universities and that all sources of materials used for this thesis work have been duly acknowledged.

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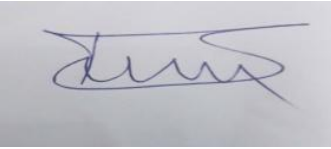

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We, the undersigned, members of the Board of Examiners of the final open defense by **Alemayehu Galcha** have read and evaluated his/her thesis entitled **“A Comparative study on the effect of incentive Packages on employee performance: In case of selected branches of Micro-finance institutions in Wolaita zone”**, and examined the candidate. This is, therefore, to certify that the thesis has been accepted as fulfilling the thesis requirements for the degree of Masters in Business Administration.

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## **ABBREVIATION**

AROA----Adjusted Return on asset

AROE ----Adjusted Return on equity

CS----- Customer satisfaction

OMFI ---- Omo micro-finance institution

OSS-----Operational self sufficiency

PAR -----Portfolio at risk

PCNC-----percentage change in number of clients

PCVS-----percentage change of voluntary saving

PWB-----percentage of women borrower

ROEL-----Ration of Operating Expense to Loan

SNNPR-----South nation nationality peoples republic

VFMI --- Vision Fund micro-finance institution

## TABLE OF CONTENTS

<b>Contents</b>	<b>Page</b>
DECLARATION .....	i
ADVISORS" APPROVAL SHEET-----	ii
EXAMINERS" APPROVAL SHEET-----	iii
ACKNOWLEDGEMENT .....	iiv
ABBREVIATION .....	iv
TABLE OF CONTEMPTS-----	VI
LIST OF TABLES-----	X
ABSTRACT .....	xii
CHAPTER ONE .....	1
INTRODUCTION.....	1
1.1 Background of the Study .....	1
1.2 Statement of the Problem .....	3
1.3 Objective of the Study.....	6
1.3.1 General objective.....	6
1.3.2 Specific objectives of the study .....	6
1.4 Significance of the Study.....	6
1.5 Scope of the Study.....	6
1.6 Limitations of the Study.....	7
1.7 Organization of the Study.....	7
CHAPTER TWO .....	7
LETIRATURE REVIEW-----	8
2.1. Introduction about the chapter and the topic .....	8
2.2 Incentives.....	8
2.2.1 Financial incentive packages .....	9
2.2.1.1 Basic salary-----	10
2.2.1.2 Bonus incentive-----	10
2.2.1.3 Profit snaring-----	10

2.2.1.4 Perquisites-----	11
2. 2.2 Non-Financial Incentives.....	11
2.2.2.1 Statu-----	11
2.2.2.2 Organizational climate-----	12
2.2.2.3 Job security-----	12
2.2.2.4 Employee participation-----	12
2.2 Importance of Incentive package.....	13
2. 3 Effects of Incentive package .....	13
2. 4. The concept of employee performance .....	14
2. 5 Employee Perceptions .....	15
2. 6 Ways of Measuring Employees’ Performance .....	16
2. 7 Performance indicators.....	16
2.7.1 Financial Perspective .....	16
2.7.1.1 Adjusted return on asse-----	17
2.7.1.2 Adjusted return on equity-----	17
2.7.1.3 Operating self-sufficiency-----	17
2.7.1.4 Portfolio at risk greater than 30 days-----	17
2.7.1.5 Ratio of operating expense to loan-----	17
2.7.2 Non-Financial Perspectives .....	18
2.7.2.1 Percentage change in number of clients .....	18
2.7.2.2 Percentage of women’s borrower-----	18
2.7.2.3 Percentage change of voluntary saving-----	18
2.7.2.4 Customer satisfaction-----	19
2.8. Empirical Review Literature .....	19
2.9 Conceptual Framework .....	21
CHAPTER THREE.....	24
RESEARCH METHODOLOGY .....	24

3. 1 INTRODUCTION.....	24
3.2 Description of the study area.....	24
3.3 Research Design.....	25
3.4 Research approach.....	25
3.5 Population and Sample.....	26
3.5.1 Target Population.....	26
3.5.2 Sample Size.....	26
3.5.3 Sampling technique.....	28
3.6. Source of Data.....	29
3.6.1 Primary Data.....	29
3.6.2 Secondary Data.....	29
3.7. Data Collection Instruments.....	29
3.8. Data Collection method.....	30
3.9. Validity of the Instruments.....	30
3.10. Reliability of the Instruments.....	31
3.11. Method of Data Analysis.....	32
3.12. Ethical Consideration.....	32
CHAPTER FOUR.....	32
DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS.....	33
4.1 Demic profiles of the respondents.....	33
4.2 Fairness and consistency of incentive packages which distributed in micro-finance institutions- -----	36
4.3 Descriptive Analysis.....	38
4.3.1 Comparison of the effect of financial incentive packages on employees’ performance between Omo and Vision Fund MFIs.....	39
4.3.2 Comparison of the effect of non-financial incentive packages on employees’ performance between Omo and Vision Fund MFIs.....	46
4.3.3 Comparison of employees’ performance between Omo and Vision Fund MFIs.....	52
4.4 Open ended questions results.....	57
4.5 Inferential Analysis.....	59
4.5.1 Analysis of Correlation Coefficient.....	60

4.5.2 Multiple regression.....	65
CHAPTER FIVE.....	76
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS .....	76
5.1 Introduction .....	76
5.2 Summary of major Findings.....	76
5.3 Conclusions .....	79
5.4 Recommendations .....	80
5.5. Further areas of Study .....	81
References .....	82
APPENDIX I.....	

## List of table

Table3.1 Sample Size of Omo Micro finance institution.....	27
Table3.2 Sample size of Vision Fund micro-finance institutions.....	28
Table3.3 Reliability of the ResearchInstruments-----	31
Table 4.1.Demographic distribution of respondents-----	33
Table 4.2Fairness of incentive packages which distributed in micro-finance institutions-----	36
Table 4.3 Comparison Bases of Mean Score-----	39
Table 4.4 Comparison of the effect of financial incentive packages on employees’ performance between Omo and Vision Fund MFIs.....	39
Table 4.5 Summary of the effect of financial incentive packages on employees’ performance between Omo and Vision Fund Micro Finance Institutions.....	45
Table 4.6. Comparison of the effect of non-financial incentive packages on employees’ performance between Omo and Vision Fund MFIs -----	46
Table 4.7. Summary of the effect of non-financial incentive packages on employees’ performance between Omo and Vision Fund MFIs.....	51
Table 4.8. Comparison of employees’ performance between Omo and Vision Fund MFIs-----	52
Table4.9. <b>Summary</b> of comparison on employees' performance between Omo and Vision Fund MFIs.....	56
Table 4.10 Comparisons of correlation between Financial incentive packages on employee performance on Vision Fund and omo MFIs-----	60
Table 4.11 Rule of Thumb for about the Strength of Correlation of Coefficients.....	61
Table 4.12 Comparisons of correlation between Non-Financial incentive packages on Vision Fund and Omo MFI-----	63
Table 4.13 Comparison of Model Summary between Vision Fund and Omo MFIs.....	65
4.14 Multiple regression results on financial and non-financial incentive packages in VFMFI---	66
4.15.Multiple regression results on financial and non-financial incentive packages in OMFI---	70
Table4.16. ANOVA (Analysis of Variance.....	73
Table4.17. Coefficients’ Table on Multiple Regression of the Research Model.....	74

## **ABSTRACT**

*Incentive packages are essential factor towards institutions' achievements in terms of employee's performance. The main purpose of this study was to examine and compare the effect of incentive package on the employee performance in selected branches of micro-finance institutions. The study employed descriptive and explanatory research design were gathering data from selected branches of micro finance institutions (MFIs) in Wolaita zone. The primary data were collected through questionnaire with likert 5 scales. Samples of 154 respondents were drawn from the population through proportional stratified random sampling technique. Descriptive statistics, Correlation of coefficients and multiple regression models were used to analyze the collected data by using SPSS version 20. The findings show that, Vision Fund MFI financial incentive packages have strong ( $r=.776$ ;  $p<0.01$ ) relationship with employee's performance and non-financial incentive packages have moderate ( $r=.413$ ;  $p<0.01$ ) relationship with employee's performance. Whereas, OmoMFI financial incentive packages have weak ( $r=.385$ ;  $p>0.01$ ) relationship with employee performance and non-financial incentive packages have moderate ( $r=.465$ ;  $p<0.01$ ) relationship with employee performance. Findings showed amongst others that there is strong positive correlation between incentive and employee performance, majority of selected branches of OMFI employees are largely dissatisfied with the incentives offered by the institution and that incentive package is not the most important determinants of employee performance in selected branches of Omo MFI. Therefore to improve employee's performance and satisfaction, the researcher recommended that the top management of MFIs especially Omo MFI should adopt both financial and non-financial incentive packages seek and obtain feedback on how employees perceive incentives and develop a sound retention and satisfaction mechanisms.*

**Key Words:** *Incentives, Productivity, Effectiveness, Employee performance*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

The success or failure of an organization centered on the ability of employer's to attract, retain and reward appropriately, talented and competent employees. Employee's willingness to stay on job largely depends up on the incentive packages of an organization (Jacqueline Azari, 2009). Incentives are awards given out when predetermined objectives have been attained within an organization. It can also be regarded as variable payments made to employees on the basis of the amount of output or results achieved. In addition to that incentives are motivational factors have been used in the private sector and in the various line of business (Banjoko M and. Armstrong 2009).

Incentive packages are divided into two. These are financial incentive packages (basic salary, bonus, profit sharing and perquisites, etc.) and non-financial incentive packages (status, job securities, organizational climate and employee participation etc.) offered to employees to compel them, to exert more effort into any giving task. Lawler, (2009) In order to incentivize the employees, the factors that are changed (employee's performance, employer relationship, and other opportunity of development). Therefore employee's satisfaction and employee performance are largely influence by incentive packages or reward system put in place by the organization (Osibanjo, A.O. Abiodun, A.J.FadugbaL A.O. 2012).

Employee's performance also depends on their internal satisfaction towards their job. If employees are satisfied from their jobs as well as the organization than they are more keenly interested to perform well towards organizational goal achievement (Harter et al, 2012). Performance incorporates the resulting outcomes of the performed actions of employees based on their expertise and skills. In organizational settings, employees' performance is the accumulate result of the skills, efforts and abilities of all the employees contributed in organizational improved productivity leading towards its goal achievement. Improved organizational performance indicates the efforts towards goal achievement while requiring more efforts in terms of improved employee performance (Ellinger et al, 2013). Therefore employee performance measured by productivity and quality, employee performance goals

and objectives, service delivery and punctuality, initiatives and innovation, customer complain to solve and clients feedback. (Cording, M. et. al. 2014)

Employees performance based incentives, according to Lai (2009) refer to the force that encourages individuals to garner their objectives, however, an incentivized workforce is a lubricant to the engine of the organization and its benefits include, dedication, employee retention, loyalty and harmony. These factors according to the author are crucial to the growth of the organization.

The positive results associated with incentive packages have lead organizations to continuously seek to motivate their employees and in tandem increase their performance. Lack of employee incentives can dictate the failure of an organization thus, it is imperative for organizations to devise new methods of employees' encouragement depending on employee's characteristics. If suitable arrangements are used, employee performance generally increases, and when different strategies are employed, negative results such as high employee turnover and low employee performances are witnessed (Deci and Ryan, 2014).

There has been constant mobility of high skilled workers from Private sector to private sectors and this mobility has been tagged as "brain drain". One of the factors that contribute to high employee turnover is dissatisfaction (Mosley, Pietri and Mosley Jnr, 2012). However, the critical is the fact that it had been established some of these talents hardly stay from long in such private sector before moving again. They have a growing consensus among managers and leaders about the significance of combining effective incentives to encourage good performance (Cole and Kelly, 2011).

Employees are encouraged to work harder, if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being rise and taken care of by their institutions. Employees are the engine of organization vehicles while incentive packages are the fuels. No organization can achieve its stated objectives without its employees (Sajuyigbe, et.al 2013).

Therefore in the study area most of the studies mainly focused on banking sector but the provision of credit and saving service institution requires great attention in determining the effect of incentive package on employees' performance. With that in mind, the researcher decided to carry out research in micro-finance institutions. Micro-finance institution

operations are very sensitive businesses in our country and in the study area. MFIs play an important role in providing a large scale sustainable rural focused credit and saving services to poor society or community in order to overcome the financial constraints and Expand job and economic opportunity. Employee incentives affects productivity and a poorly incentivized labor force will be costly to the organization in terms of lower productivity and performance, excessive staff turnover, increased expenses, frequent absenteeism and a negative effect on the morale of colleagues According to the researcher observation employees turnover from institution to institutions and efforts is not taken seriously in MFIs, leads to grievance, dissatisfaction and poor employees 'performance existed in MFIS, particularly in Omo MFI selected branches in wolaita zone, and because of this research is carried out.

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

The success or failure of any organization depends upon Human resources. Because other resources such as machines and equipment are inert factors, but Human resource is not. Humans think, conceive, perceive, plan and interpret; thus highly skilled, competent, reliable and experienced employees are a valuable asset for any organization. These workforces need to be treated with a great care and needs to be given a special managerial attention and time(Waweru and Deci, 2017)

One of the most important tools at the hand of any business management to attract, motivate and retain competent workforce is administering effective incentive packages. Well design and implement incentive packages can significantly enhance employee performance through improving their morale, provision of job security, improving innovation, commitment and minimizing employee turnover among others (Holtmann, 2012).In the modern competitive world, business organizations are facing ever growing challenges regarding commitment, dissatisfaction, grievance, employee's turnover and poor performance (Stanley, 2012).

Based on the observation of the researcher the incentive packages provided by the institution are not that match attractive relative to the other similar financial institutions. Cause of this problem many employees are not satisfied on their job especially in OMFI jobs below managerial level in addition to that these employees are either no commitment, grievance or turned over. One of the emerging institutions at Ethiopia South region in Wolaita zone MFIs suffering from voluntary employee turnover problems. According to the HR data

particularly from Omo micro-finance institution 28 employees resigned in 2009 E.C out of 113 employees with a turnover rate of 25 percent, in year 2010 E.C. 31 employees resigned from a total of 117 employees with turnover rate of 26.5 percent and finally in year 2011 E.C until April 30., 40 employees resigned from the total number of 148 employees with turnover rate of 27% in six selected branches and such attrition the employee with low productivity, low effectiveness and efficiency to achieve organizational goal such as profitability and contributing towards countries' economy (Institution annual final meeting report paper from 2009 up to 2011 E.C).

Therefore, studies like this are an invaluable workforce in helping organizations, identify and maximize on ways to encourage employees whilst mitigating employee turnover, grievance, dissatisfaction on their jobs and under-performance (Steers and Porter, 2011)

Several studies have found that among employee surveyed, money was not the only important motivator, and in some instances managers have found money without non-monetary incentive packages to have a demotivating or negative effect on employees (Al-Nsour, Marwan, 2012). On the other hand, (Deci and Ryan, 2014) indicated that non-monetary types of incentive packages can be very meaningful to employees and very motivating for employee performance improvement. According to them, creative use of personalized non-monetary incentive packages reinforces positive behaviors and improves employee retention and performance.

In the authors suggestion non-financial incentive packages have to be in to consideration like that of the financial one but the MFIs incentive packages practice is contradict to which means there is a gap between what those authors wrote and the institution incentive packages practice, this highly affect employees performance. Most of the time managers try to achieve the employees profitability through reduction of cost, hence one of the cause is dissatisfaction of employees' incentive packages management level may face difficulties. This practical problem is the reason that, the researcher was initiated to conduct on this topic.

Thus many researchers on their studies give attention for only financial incentives. (Bilal *et.al* 2017) which published by journal of European management business research their finding to give attention for financial incentives (merit pay, stock option, commission) and personal variables (work experience and ability of work) are positive relationship

with employee's performance. Also, a research conducted by (Olaynka C.et.al .2017), on their finding to give attention for financial incentives such as wages, pension, commission and seniority pay are positive relationship with organizational performance, but not to give attention for non-financial incentive packages in addition to that they state in only one company or institutions .

According to Surafel G/tsadik, (2017) on his study finding to give attention for financial incentive (performance based pay and fringe benefits) are positive relationship with employee's performance. But the researcher could not include non-financial incentive packages in his studies. Therefore, the aforementioned researches focused only on financial incentives (merit pay, bonus, commission, wages, pension and stock option and personal variables (employee experience and work ability). the researcher going to investigate on the gap of non-financial incentive packages and which financial incentive package dimensions had been not covered by other researchers.

Thus there is a gap on the effect of non-financial incentive packages (status, organizational climate, employee participations and job security) on employee's performance and there is no research conducted at the study area in this topic.

Therefore, the current researcher interested to investigate and compare the effect of incentive packages such as financial incentives (basic salary, bonus, profit sharing and perquisites) and non-financial incentive packages (status, job security's, organizational climate and employee participation) on employee's performance with reference of Omo and Vision Fund micro finance institutions in Wolaita zone.

**Based on the above stated problems the study attempts to address the following research questions:**

1. How financial and non-financial incentive packages consistently distributed to all level employees in selected branches of micro-finance institutions in wolaita zone?
2. How does a financial incentive package affect the employee performance in selected branches of micro-finance institutions in wolaita zone?
3. How does a non-financial incentive package affect employee performance in selected branches of micro-finance institutions in wolaita zone?

### **1.3. Objective of the Study**

#### **1.3.1. General objective**

The main objective of the study was to investigate and compare the effect of incentive packages on employee performance in selected branches of Micro- finance institutions (MFIs) at Wolaita zone.

#### **1.3.2. Specific objectives of the study were**

1. To determine the fairness and consistency of financial and non-financial incentive packages distributes to all level employees in the selected branches of MFIs in Wolaita Zone.
2. To examine the effect of financial incentive packages on employee performance in the selected branches of MFIs in Wolaita Zone.
3. To determine the effect of non-financial incentive packages on employee performance in the selected branches of MFIs in Wolaita Zone.
4. To provide alternative solution/recommendation/.

### **1.4. Significance of the Study**

The finding of this study was more significant to the business management, owners, and the private sectors. They were have an opportunity to measure the effect of incentive packages on employee performance and it also benefit to organizations weather private sectors to review their use of incentive packages on employee performance. On the other hand, the researcher, apart from being a compulsory research paper for fulfillment of Master Degree on Business administration is also vital to extend knowledge on finding solutions to various social, business, and private organization problems. In addition to that it is hoped that the study was provide important information and serve as secondary data for further research on the topic.

### **1.5. Scope of the Study**

The study was confined conceptually, geographically as well as methodologically.

Conceptually; this study was only focused on comparatively investigate on the effect of incentive package on employee performance. Financial incentives (basic salary, bonus, profit sharing and Perquisites) and Non-financial incentives (status, organizational climate, employee participation and job security) are affects employee's performance.

Geographically, there are 15 branches of Omo micro-finance institution in the study area but this study confined only in six selected branches. Whereas, all six branches of Vision fund micro-finance institution were included in this study.

Methodologically; this research is a descriptive survey and exploratory research i.e. based on the representative sample conclusion for the population was made. Additionally, the main source of this data could be questionnaire and secondary data. The questionnaire distributed to the employees' who work in the selected branches of micro-finance institutions.

#### **1.6. Limitations of the Study.**

The mode of data collection was through drop and collect basis which was only expensive but also took long period of time. Most of the respondents were reluctant to participate in research and had to be really convinced by the human resource department to understand the essence of filling the questionnaire some of the respondents kept the questionnaire for too long and others failed to return at all while some could not fulfill the questionnaire that delaying data analysis. Also the given time span for the study was less to cover the whole area of share companies of the study effectively. Therefore there are many areas on which the study can be further worked upon. A study might be incorporating a range of additional incentive dimensions, which are related with financial and non-financial incentive package types, might have yielded a better understanding of its effect on employee performance.

#### **1.7. Organization of the Study**

The study paper was organized in five chapters. Chapter one presents Introduction which includes, the background of the study, statement of the problem, research objectives, the hypothesis of the study, significance, scope of the study, and limitation of the study, Chapter two presents the literature review related to the topic under study it further presents the theoretical concepts, empirical literature studies and the conceptual framework of the study. Chapter three consists with the research methodology, which includes description of the study area, research approach, design, population, sample technique and sample size, data collection instruments, and data analysis method. Chapter four discusses the empirical findings of the study that includes data presentation, analysis and interpretation. Based on the findings of the study, the fifth chapter presents summary, conclusion and recommendation of the study.

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.1. Introduction about the chapter and the topic**

Adequate incentives have been found to be one of the means through which organization can adopt to encourage and increase their workers' performance. There are many studies in the literature, which examine the monetary and nonmonetary incentives and their effects on organizational variables (Al-Nsour 2012; Scheepers, 2009). Incentives are designed to get the maximum performance from the employees and help retain the most productive among them (Arnold 2013). Organization can consider a variety of ways to reward the employees for their work performance, but an organization need to consider using the best employee incentives to get the desired results. Incentives are an instrumental drive towards employee motivation and performance and it has great benefits and high potentials to motivate workers to put in their best in any giving tasks (Condly, S.J, Richard E. Clark & Harold D. Stolovitch, 2013).

Performance ensures that an individual employee or teams know what is expected of them, and stay focused on effective performance. Organizational performance takes many forms which may include increased productivity, increased diversity in regard to workforce mix, and retention of talent, increased satisfaction both for the employee and the customer, increased quality of service among many others (Cascio, 2009).

Perception is the process people use to make sense out of the environment by selecting, organizing and interpreting information from the environment (Daft, 2000) .He contends that employee perception of any aspect of their employment will be a function of the intensity or repetitiveness of that aspect.

#### **2.2. Incentives**

The incentive is a positive motivational influence on a person that helps improve his performance. Thus, it can be said that all the measures taken by the management to improve the performance of its employees are incentives. National Productivity Council (i.e. retrieved, 2014). Defined incentive as a measure stimulating human effort, whereby employees are driven to put in their best. Incentives are awards given for the accomplishment

of predetermined goals and are directly related to performance and has a positive influence on the employees' objectives and organizational success.

According to Milton L. Rock, (2015), incentives are defined as 'variable rewards granted according to variations in the achievement of specific results'.

According to K. N. Subramanian, (2017), 'incentive is system of payment emphasizing the point of motivation, that is, the imparting of incentives to workers for higher production and productivity.

The National Commission of Labour, Jacqueline Azari, (2009) defines incentive as follows: 'wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time rated remuneration, for improvements in the present and targeted results'

Incentives are used by organizations in order to reach certain goals, encourage a certain behavior and team-spirit for collective awards. Incentive systems are not universally applicable, but are likely to play a role in enhancing individual effort or employee commitment for attained their performance where the conditions and the incentive packages designed are right. Employee commitment can be shown that the effects of incentive packages on employee performance include: Involvement of employees in decision making, reduced turnovers, improved teamwork and cooperation, improved efficiency, employee satisfaction, attainment of targets and goals and finally improves the image of the organization. These results indicate that the employees had a positive perception that incentive packages leads to good employee performance (Bara E. Brahmantika, 2012).

Organizations use different type of incentive packages to motivate employees. Incentives are designed to get the maximum performance from the employees and help retain the most productive among them. Incentives are divided into financial incentives and non-financial incentives which is also known as monetary or non-monetary incentive (Manjunath and Rajesh, 2012).

### **2.2.1. Financial incentive packages**

Monetary incentives are used by employers of labors to retain their best brains and as well compensate them for a job well done and excellence of job performance through monetary

form. In today's socio-economic condition money has become a very important part of our lives. We need money to satisfy almost all our needs as it has purchasing power. Thus, financial incentives refer to those incentives which are in direct monetary form i.e. money or can be measured in monetary terms. Financial incentives can be provided on an individual or group basis and satisfy the monetary and future security needs of individual. Money whether it is in the form of wages, piecework or any other incentive pay, bonuses, stock options, company –paid insurance, or any other things that may be given to people for performance is important. The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on performance (Pamela, 2015). The most commonly used financial incentive packages are:

#### **2. 2.1.1. Basic Salary**

Is the fixed or guaranteed regular monthly or annual gross payment made to employees; it varies between hierarchy of job positions, employees to employees and companies to companies. A salary is the basic incentive for every employee to work efficiently for an organization. Salary includes basic pay, dearness allowance, house rent allowance, and similar other allowances. Under the salary system, employees are given increments in basic pay every year and also an increase in their allowances from time-to-time. Sometimes these increments are based on the performance of the employee during the year Armstrong (2010).

#### **2. 2.1.2. Bonus incentive**

Bonuses a payment on the accomplishment of planned specific objectives. The intent of this incentive pay is to influence certain behaviors towards the attainment of goals or set objectives. Once the objectives are met, the payment is made. It is a sum of money offered to an employee over and above the salary or wages as a reward for his good performance (Gomez-Mejia, 2014).

#### **2. 2.1.3. Profit-Sharing**

Sometimes the employees are given a share in the profits of the organization. This motivates them to perform efficiently and give their best to increase the profits of the organization. Profit sharing is designed to pay out incentives when the company is most able to afford it and

it may come in the form of current distribution plan, deferred plan and combined plan. Gain-sharing Armstrong, (2009), emphasizes that gain-sharing is a formula-based company or factory wide incentive plan that provides for employees to share in the financial gains resulting from increases in added value or gain sharing plans on measures of plant productivity

#### **2. 2.1.4.Perquisites**

Several organizations offer perquisites and fringe benefits such as accommodation, car allowance, medical facilities, education facilities, recreational facilities, etc. in addition to the salary and allowances to its employees. These incentives also motivate the employees to work efficiently (Marwan, 2012).

#### **2. 2.2. Non-Financial Incentives**

Nonmonetary incentives are to reward employees for excellence job performance through opportunities. That means apart from the monetary and future security needs, an individual also has psychological, social and emotional needs. Satisfying these needs also plays an important role in their motivation. Non-financial incentives focus mainly on the fulfillment of these needs and thus cannot be measured in terms of money. However, there are chances that a particular non-financial incentive may also involve the financial incentive as well. For example, when a person is promoted his psychological needs are fulfilled as he gets more authority, his status increases but at the same time, he has benefitted monetarily also as he gets a rise in salary. Those incentives are based on respect of a human being who has feelings, hopes and aspirations. It could be in the form of participate in decision-making, training, career development (promotion) certificates of thanks and appreciation etc. (Marwan, 2012). The most common non-financial incentives are:

##### **2.2.2.1. Status**

With reference to an organization, status refers to the position in the hierarchy of the organizational chart. The level of authority, responsibility, recognition, salary, perks, etc. determines the status of an employee in the organization. A person at the top level management has more authority, responsibility, recognition and salary and vice-versa. Status

satisfies the self-esteem and psychological needs of an individual and in turn, motivates him to work hard. (Marwan2012

#### **2.2.2.2. Organizational Climate**

Organizational climate refers to the environmental characteristics of an organization that are perceived by its employees about the organization and have a major influence on their behavior. Each organization has a different organizational climate that distinguishes it from other organizations. Some of the factors that influence the organizational climate of an enterprise are organizational structure, individual responsibility, rewards, risk and risk-taking, warmth and support and tolerance and conflict. When the organizational climate is positive employees tend to be more motivated (C. Solbach Krauthammer, 2015).

#### **2. 2.2.3. Job Security**

Job security provides future stability and a sense of security among the employees. The employees are not worried about the future and thus work with more enthusiasm. Owing to the unemployment problem in our country, job security works as a great incentive for the employees. However, there is also a negative aspect of this incentive that employees tend to take their job for granted and not work efficiently (Njoroge W, 2011).

#### **2. 2.2.4. Employee Participation**

Involving the employees in decision making regarding the issues related to them such as canteen committees, work committees, etc. also helps in motivating them and inducing a sense of belongingness in them. Work decisions; an emphasis on communications and sharing of information relevant to plan performance; joint employee-management willingness to change plan formulas and measures as needed; cooperation among unions, employees, and managers in designing and implementing the group plan and tailoring plans to the smallest feasible group; and an economic environment that makes plan payouts feasible. Giving more autonomy and powers to subordinates also make them feel that they are important to the organization and in turn they serve the organization better (Marwan, 2012).

### **2.3. Importance of Incentive package (Michele, B and Rob, A. 2009).**

1. Incentive package motivate workers for higher efficiency and productivity
2. It can improve the work-flow and work methods.
3. Incentive package make employees hardworking and innovative.
4. When employees are dedicated, supervision costs can be reduced.
5. The National Commission on Labour says that under our conditions, wage incentives are the cheapest, quickest, and sure means of increasing productivity.
6. Incentive package help establish positive response in an organization
7. It helps workers improve their standard of living.
8. Other benefits offered by incentive package are Keep employees happy, encourage teamwork, build trust with employers, reduced turnover, reduced absenteeism, and reduced lost time (M. Abadi, 2017).

### **2. 4. Effects of Incentive package**

The effects of incentive plan as emphasized by Rajkumar (2009) can be organized under the following categories

**Promoting Teamwork:** Incentive plans tied to teamwork or group initiatives can help promote collaborative work efforts in your business. Staffers working in teams that collectively rely on each other's' productivity for the group to receive a bonus or award may support and encourage each other to perform at top levels. Peer pressure may also encourage additional degrees of performance from underperforming staffers who don't want to let their team members down.

**Psychological effect or morale Boosters:** Incentive plans have the potential to raise morale and increase job satisfaction in a company. Employees see a direct correlation between their work effort and their earning potential. Higher workplace morale can decrease turnover, which saves your company money associated with recruiting, hiring and training new staffers. Additionally, staffers with high levels of job satisfaction often exhibit lower degrees of absenteeism, which can also help improve a company's bottom line.

**Effect of Service Levels:** Employees competing for or striving to meet the goals of an incentive plan may provide higher degrees of service to your customers. This can encourage repeat business, improve customer satisfaction and enhance your company's reputation. Improved service levels can also encourage referral business as well as positive word-of-mouth advertising.

**Economic effects:** Greater productivity outcome from incentive plans will lead to lower consumer cost, increased purchasing power, and improved living standard of the employees. Incentives also encourage the employees to offer suggestions for improvement, discover different tools, methods, and equipment for more efficient operations to increase productivity and profitability.

## **2. 5. The concept of employee performance**

Development of organizations relies on various factors that are meant for improving sustainability in relation to the effectiveness of an organization. When productivity is improved, the commitment of workers is as well improved because the values of an organization, its culture and also the norms improve (Brooks, 2016). As cited in (Pettigrew, 2009). Employee's basis regarding norms and values on the management of a particular organization aids in the improvement of the performance of employees. Quality awareness leads to improved employee as well as organizational development.

Performance as a concept has earlier on been understood in different ways by various academicians and researchers; however, the majority of scholars have always related performance with transactional efficiency dimension and the efficiency of an organization towards achieving its goals (Berne, 2011). An employee's job is put together by the degree to which an employee achieves targets as per the definition of the organization's mission, which in turn gives the definition of performance boundaries Performance as demonstrated behavior or something that is done by employees for the performance of an organization, and the assessment is effected via the outcome of performance that is operational in relation to sales, turnover, income, volume in addition to shareholders dividend that has been declared by an organization, the quality and service quantity.

In this regard the performance on job as a concept cannot be termed as a concept that is singly unified, rather, a concept having numerous viewpoints that contains a variety of behaviors.

For instance industries dealing with services produce goods that are insubstantial and services quality has its predictions done according to the performance that is immediate from employees that are in service. Thus, the conclusions based on these arguments are that the performance on job is obtained via employees efforts (O'Hara, 2011).

Aktar, Sachu, & Ali, (2012) a good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence end up accomplishing the organizational goals and objectives. A reward system that is given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance.

According to Njanja, et.al (2013), many writers in human resource management suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of loyal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives

## **2. 6. Employee Perceptions**

According to Daft (2009), perceptions are the way people organize and interpret their sensory input, or what they see and hear, and call it reality. Perceptions give meaning to a person's environment and make sense of the world. Employee perception is a factor that can make a huge difference in the quality of the workplace. When employees view the employer, their work, and their relationships within that workplace as being positive, there is a good chance the employee will be productive and remain with the employer for a long time. Negative perceptions of the company and the working environment can cause qualified employees to seek opportunities elsewhere. Concerns about the accuracy of management Perception of a direct link between pay and individual productivity will motivate employees to higher levels of performance.

Perception of employees is influenced by internal and external factors leading them to see some perceived objects, persons or events differently. External factors could include size,

intensity, contrast, repetition, motion, novelty, status and appearance. Internal factors in perception are characteristics of the perceiver. The perceivers have a tendency to use themselves as a basis for perceiving others, events, etc. Internal factors that can influence perceptions of employees are needs and motives, past experiences, self-esteem and personality (Nzuve, 2009).

## **2. 7. Ways of Measuring Employees' Performance**

According to David Hekala (2010) the performance measures can be grouped into six general categories those are;

1 **The effectiveness** examines the degree to which the process output.(work product ) conforms to requirements.(Are we doing the right things? )

2 **The efficiency** indicates the degree to which the process produces the required output at the minimum resources cost (Are we doing things right? )

3 **Quality** aspects checks on the degree to which a product or service meets customer requirements or expectations.

4 **The timeliness** aspects measures on whether a unit of work was done correctly and on time.

5 **The productivity** checks on the value add by the process divided by value of labour and capital consumed. Productivity is a performance measure encompassing both effectiveness and efficiency (Muindi .M, 2012).

6 **Safety** measures the overall health of the organization and the working environment of its employees.

## **2. 8. Performance indicators**

According to Needles & Powers (2009) Performance indicators are ratios, numbers and activities which used as a pointer to evaluate performance from different perspectives. The researcher selects two performance indicators in each perspective those have strong power to explain the performance of MFIs.

### **2.8.1. Financial Perspective**

The financial category often uses conventional big-picture, long-term validate metrics that are traditional for ultimately measuring economic success.

### **2. 8.1.1. Adjusted Return on Asset (AROA)**

Return on assets is a measure of profitability that shows how efficiently a company uses its assets to produce income (Needles & powers 2009). It is also an overall measure of profitability which reflects both the profit margin and the efficiency of the institution.

### **2. 8.1.2. Adjusted Return on Equity (AROE)**

Return on equity is a measure of profitability that relates the amount earned by a business to the stockholders' investment in the business (Needles & powers 2009). The return on equity (ROE) Ratio provides information on how much net income was earned on the equity of on micro-finance institutions.

### **2. 8.1.3. Operating Self Sufficiency (OSS)**

Operating Self Sufficiency measures operating revenue as a percentage of operating and financial expenses including loan loss provisions expense. If OSS ratio is greater than 100% that MFI is covering all of its costs through own operation and it is not relying on contribution or subsidies from donors to survive Churchill & Frankiewicz (2010).

### **2.8.1.4. Portfolio at Risk > 30 Days (Par)**

The most widely used measure of portfolio quality in the microfinance industry is Portfolio at Risk (Par), which measures the portion of the loan portfolio infected by amount overdue as a percentage of the total portfolio. A microenterprise loan is typically considered to be at risk if a repayment remained due for more than 30 days (Jonson et al. 2013).

### **2.8.1.5. Ration of Operating Expense to Loan (ROEL)**

ROEL is the most widely used indicator of efficiency. It allows a quick comparison between MFIs portfolio yield with its personnel and administrative expenses, how much it earns on loans versus how much it spends to make and monitor them (Rosenberg 2009). ROEL ratio is calculated by dividing all expenses related to the operation of MFIs including all the administrative and salary expenses, depreciation and board fees by the period average gross portfolio, interest and provision expenses (Wolday&Anteneh 2013).

## **2.8.2. Non-Financial Perspectives**

Under this performance perspective four performance indicators are stated. Unlike the financial performance indicators the non-financial performance indicators may not be stated as a proxy for one single performance dimensions instead they may create a cause and effect relationship. For instance increasing number of clients and serving higher number of women in the institution can implicate the breadth and depth of outreach and the satisfaction of these clients also show the productivity and effectiveness of employees besides serving high number of clients lead to financial performance. So, the selected performance indicators under this perspective have a power to affect the selected performance dimensions directly or indirectly (Olasupo& A. Afolami 2013).

### **2.8.2.1. Percentage Change in Number of Clients (PCNC)**

The production approach considers microfinance business as firms that provide services for their clients; hence their outputs could be best measured by the number of clients (Olasupo& A. Afolami 2013). The main customers of MFIs are the poor who are in need of financial service. Having this theoretical view it can be argued that, increase in total number of clients implies that more people are offered financial service with potential welfare impact. Thus, increasing outreach (customer base) can be viewed as measure of a MFI performance linked with main strategic objective of serving the poor.

### **2.8.2.2. Percentage of Women Borrowers (PWB)**

Achieving only higher customer base may not guaranty to higher outreach since it only show the breadth of outreach. Beside breadth of outreach, depth of outreach should have a good look if the microfinance addressed the underserved and marginalized as well. i.e. .Financial services to low income clients Some MFIs achieve deeper outreach by targeting the client the most vulnerable groups, such as women and/or people with very low income Matthew Brown (2015).

### **2.8.2.3. Percentage Change of Voluntary Saving (PCVS)**

On the whole, micro savings are grouped into two main types: compulsory and voluntary. Compulsory savings (forced savings) is defined as the minimum amount of savings which conditions borrowers" access to loans, and can be seen as a collateral substitute imposing a

positive inducement for repayment. On the other hand voluntary savings (flexible savings) allows borrowers as well as non-borrowers to deposit or withdraw according to their needs Montgomery (as cited in Bruno 2011). Voluntary savings assumes that savings and credit are integral components of financial intermediation and that savers already know why and how to save Robinson (2001). So with understanding the higher the voluntary saving means the higher the institution perform in this indicator.

#### **2.8.2.4. Customer Satisfaction (CS)**

Customer satisfaction is one of the most important and commonly used performance reporting measures under the customer perspective. Satisfied employees' improved customer satisfaction leads to loyal customers and increased market share, which directly affect the bottom line (BSCI 2012). Customer satisfaction can be seen from different point of view i.e. the accessibility of the institution, the time that loan application process need, the amount of the loan they can get, the interest rate charged on loan and provided on deposit, the time they have to pay back the loan, the approaches of the staffs to the client and effective service delivery, and the like.

#### **2.9. Empirical Review Literature**

Incentive is used by various organizations to compensate and reward performance of employees who perform more than expectation (Waterloo & Ontario, 2009).

The literature shows factors like security of job, employee participation, and organizational climate as directly influencing performance of employee (Tesfaye and Debela, 2009).

The research conducted by Mirea result shows the companies reward should consider the profit of the specific company Moreover; the incentives /financial and non-financial incentives/ must be closely linked to the performance. For this, it is required to the managers:

1. To follow the additional reasoning leading to the better performance;
2. Remember that additional resources allocated to the incentives do not mean solving of the automatic problem; rather than they have to consider correctly allocating of these resources and the permanent relationship between incentives and performance Mirea (2012).

Nawab&Bhatti (2011) conducted research on influence of incentives such as profit sharing, different types of allowances, status, organizational climate on employee performance

(productivity and effectiveness). In their research attention was drawn on the role of each component of financial & non-financial reward towards employees performance, which they can implement and increase their practices to maximize the employees contribution and production.

The study conducted by Surafel G/TSadik (2017) investigated the effects of pay/salary/ and bonus incentives on employee performance with respect to employees in the Zemen banks s.c. An empirical investigation result shows by using a sample of (160) employees drawn using the systematic random sampling technique. The findings of the study indicated pay /salary and bonus are direct relationship with employee performance

The research of Saba Salem revealed positive and significant association between financial incentives and employee commitment for performance and increase in financial incentives such as salary increment and bonuses enhanced employee commitment which increases the employee's performance and reduces turnover and employees can only be loyal when their wants and desires satisfied Saba Salem (2011).

A journal research conducted by Falola Hezekiah (2014) show that the researches adopted on a descriptive research method and using stratified and systematic sampling technique for the study. The results show that strong relationship exists between incentives packages /financial incentives /bonus profit sharing and non-financial incentive packages /organizational climate and employee participation/ on employees' performance but the employees' are not satisfied with the present incentive package in government Parastatals in Ogun State, South-West, Nigeria .Folola Hezekiah et.al (2014).

A research conducted by Peter K. result shows that reward such as basic salary, bonus, profit sharing, status and job securities are a major motivational incentive factor for employees' performance Peter (2012).

A research conducted by TesfayeFantu in Niyala motors' s.c. the results show that there is high relationship between financial incentives on employee performance and moderate relationship between non-financial incentives on employee performance and has a high positive significant effect of incentives on employee performance within the company; to improve employees work performance TesfayeFantu (2018).

According to Dr. Ashraf Mohammed (2014) in his thesis the result shows incentives, such as bonus, profit sharing, perquisites, employee participation those four factors found to have significant impacts on employee performance in Jordanian travel and tourism institution

To summarize, the key practical messages of the effect of incentive package on employee's performance as Armstrong (2009) described that, financial incentives provided by employers in the form of pay will help to attract and retain employees and for limited periods, may increase effort and minimize dissatisfaction. Non-financial incentives related to responsibility, achievement and the work itself may have a longer-term and deeper impact on employee performance. Incentive package should therefore include a combination of financial and non-financial rewards.

### **2.10. Conceptual Framework**

Incentive packages are designed to encourage performance of individuals. Regardless of the incentive forms, incentive packages play an active role in pushing forward individual's capacity and moving abilities, motivating them to develop their skills and balance between organization requirements and the individual needs' which enhance the employee performance efficiently and effectively. According to (Armstrong & Taylor, 2014) financial incentive works when a link between effort and reward is clear and the value of the reward is worth the effort.

According to Herman son et.al (2006) the researcher aimed at exploring the system at which the financial incentives are to be provided to the staff. They come up with conclusion that the expectation of individual employees will determine how much the employees should be award with the financial incentive packages. In their exemplifications try to relate the system with the institution were by the employees awarded according to the performance..

The conceptual framework of the study specifies the nature of the study, which is departed in the diagrammatic form of Figure 1. According to the model Financial and non-financial incentive packages are an independent variable of the study. It is therefore subjected to be provided to the employees so as to influence performance in the institution under which the researcher has decided to conduct the study. The variable has its elements like basic salary, bonus, profit sharing and perquisites and non-financial incentive packages like status

organizational climate, job security and employee participation as a result of best performance of an individual employee Employees' Performance (EP) is a dependent variable of the study.

It is therefore depends much on the driving force of financial and non-financial incentives packages, where if it well provided to the employees leads into better performance of the employees in the institutions under which the researcher has decided to conduct the study, variable has got its elements like productivity and effectiveness of employees.

The independent and dependent variables are link together through the combined and measureable effects (increase employee performance, increase productivity and effectiveness) of the employee in order to enhance theirperformance in the institutions. Independent variable is the driving force toward the dependent variables where the outcomes become the better fruit of the employees and the institution.

Based on the above explanation of what different authors have said about the employees and the incentive packages, it is shown that factors of financial and non-financial incentive packages have great impact on employees performance of any institution, thus it is imperative for the researcher to show how the activities get done through incentive packages in selected branches of MFIs in achieving high institutions returns.

During the reviewing of the employee performance, the following questions to be raised; Are they effective? Are they efficient? Are they learning and improving? Therefore dozens of factors to measure when trying to answer these three questions .There are a few used one of the most important to consider employee productivity and effectiveness

According to Hat ice, (2012), and Gohari, et.al, (2013) others on their studies includes the issue of employee perception and expectations but this research try to conduct by the issue of productivity and effectiveness of the employees. Productivity is the ratio of output or production capacity of the workers in an organization.

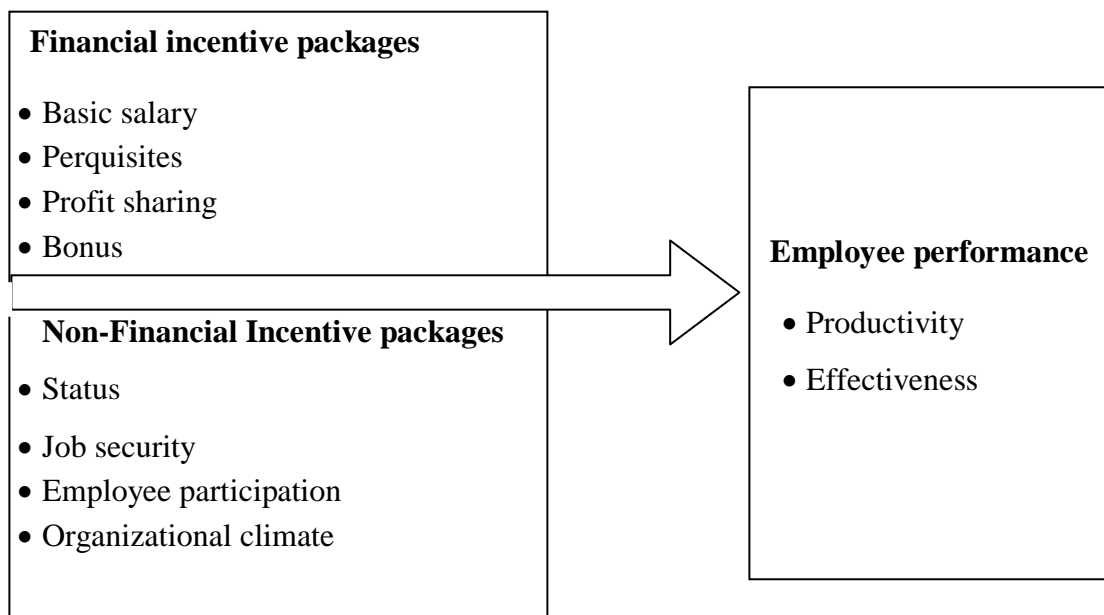
The ultimate essence encourage the employees is to meliorate productivity. An effective employee is a combination of a good skill set and a productive work environment.

The institution relay on employee to produce and deliver high quality products and services. Employees are impacted by a variety of forces both internal and external as they attempt to perform their job duties. This is directly related to productivity. Meeting personal goals helps

an employee stay motivated and feel about them to continue to produce by improving proficiency and employee connection. Employee satisfaction helps to improve employee performance and thus achieving organizational goals.

Employee effectiveness is an extent up to which an individual fulfills its goals using certain resources and with placing strain on its members. It helps to ensure the operative use of HR gratification of employees, mutual consistency, durability of work force and it bringing about job satisfactions.

**Fig 1 conceptual frame work of the study**



Source: The study adopted with some modification from (Armstrong & Taylor, 2014)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter describes description of the study area and the research methodology used in this study. It contains information about the research design, research approach, target population, sampling techniques, sample size, data sources, data collection instruments and data processing and analysis.

#### **3.2 Description of the study area**

Omo micro-finance institutions (OMFIs) approved by the Ethiopian Government according to proclamation No. 40/96, which established the licensing and supervision of microfinance institution as a share companies in accordance with the commercial code of Ethiopia. The same as that Vision fund micro-finance institution (VFMFI) has been in operation since 1999 as regulated and legally registered micro-finance service provider in Ethiopia, The primary and main objective of both Omo and Vision Fund micro finance institutions are to provide a large scale sustainable rural focused credit and saving services to poor society or community in order to overcome the financial constraints and expand job and economic opportunity. MarcandRamya, (2009),

Micro-finance institutions (S. Cs) in Wolaita Zone where is located in SNNPR state 329 km far from the capital city of Ethiopia and 162 km far from Hawassa. Wolaita zone is composed of 16 rural woredas and 6 Town administrations in addition to new formulated woredas and Town administrations. Omo micro-finance institution has totally 15 branches are there; for this study case in six selected branches have a total number of 108 employees are used for the study, the same as that Vision fund micro-finance institution S. C s in Wolaita zone has six branches are there and in those six branches total number of 85 employees are used for this study. The internal organization of MFIs consisting of four work positions (Auditors; finance or accountants, operations and supportive staff or tailor) that enables the company to give the best service to its customers. Thus, those branches of MF institutions are to provide such service delivery in efficient and effective way, to retain satisfied customer and to boost

success of the organization, it is important to attract, motivate and retain talent workforce in the organization. (Institution report, 2018)

### **3.3 Research Design**

The study employed as descriptive survey and explanatory. Those designs were appropriate for the study, because data generated from both quantitative and qualitative, that describe the characteristics of the population “what exist” with respect to variables or conditions in a situation, also it is used to understand how people act in real-life situation According to Kothari, (2004), descriptive survey designs are concerned with describing, recording, analyzing and reporting good conditions that exist or existed. It also argued that descriptive methods are widely used to obtain data useful in evaluating present distribution and providing basis for relationship between variables. In line with the explanatory research design, the main aim: is to identify the reasons that links between the factors or variables that pertain to the research problem.

### **3.4 Research approach**

The study adopted as both quantitative and qualitative study approach those were describes the nature of incentive packages of present distribution and characteristics of the effect of incentive package on employee performance. According to Burns and Grove (1993), quantitative survey is the most appropriate to use if the purpose of an investigation is to describe the degree of relationship which exists between the variables. Besides, it also helps in examining and describing the interactions among those variables. Whereas qualitative research approach is used to provide a more complete picture of evaluation and understand behaviors. Thus, both approaches are determined by the fact that has attempted to answer questions about the present distribution of incentive package and its relationship between employee performances.

## **3.5 Population and Sample**

### **3.5.1 Target Population**

The study populations were comprised of 85 employees of total six branch of vision fund micro-finance institution and 108 employees in six selected branches of Omo micro-finance institution in Wolaita Zone were chosen as a unit of analysis for this study (Zone HR department report, 2019). The target population of employees were used for this study consisted within six selected branches of each institutions (Sodo, Humbo, Areka, Badessa (Damotewoide), Bodit, and Gasuba/Ofa/) are located in Wolaita Zone. The specific selection of branches from Omo micro-finance institution based on purposive selection limited on the same geographical location of both branches of the institutions where existed in operation to comparing the present distribution and effect of incentive package on employee performance, whereas Vision fund micro-finance institution total branches were included in this study.

### **3.5.2 Sample Size**

Sampling size is used to represent characteristics of the targeted population. The researcher was used to probability sampling. Thus the study applied proportional stratified random sampling technique to select a sample of 84 respondents for OMFI and 70 respondents for VFMI, in which the population are divided into groups. In proportional stratified random sampling, the strata (groups) are formed based on members' shared attributes or characteristics. Its advantages include minimizing sample selection bias and ensuring certain segments of the population are not overrepresented or underrepresented showing sample. According to Dempsey (2003) proportional stratified random sampling is considered appropriate since it gives respondents an equal chance of being selected as a study respondent and this it has no bias and easily to generalize the findings. Proportional stratified random sampling was used to a group of respondents into four strata's namely ;( auditors, customer service officer or operation, accountant and taller or supportive staff/) Omo micro-finance six selected branches have 108 employees (population/) and Vision micro-finance totally six branches have 85 employees (population) in Wolaita Zone. Therefore, based on these population the researcher was used the following formula to determine the sample size.

Because the following formula has two advantages: **First** it measures the acceptable error. **Second** it is easy to use the formula

$$n = \frac{Z^2 \cdot P \cdot q \cdot N}{e^2 (N-1) + Z^2 \cdot P \cdot q}$$

Where p = sample proportion e = acceptable error q= 1-p Z=value on standardized normal distribution curve corresponding to the level of significance. N = number of total population n = sample size required. C.R.Kothari (2004) the researcher assume that 95% confidence and 5% acceptable error which means Z=1.96 and p=0.5 q= 1-0.5=0.5 N =108 and 85 Omo micro-finance and Vision fund micro-finance respectively, thus the total population was 193

**Table 3.1 Sample sizes of Omo micro-finance institutions**

$$n = \frac{1.96^2 \cdot 0.5^2 \cdot 108}{0.05^2 \cdot (108-1) + 1.96^2 \cdot 0.5^2} = \frac{103.7232}{1.2279} = 84.47 = 84 \text{ (approximately)}$$

No	Branches	Position /Department														
		Auditors			Accountant			Operations			H/resource and others					
		populatio	Percenta	Sample	Populati	Percenta	Sample	Populati	Percenta	Sample	Populati	Percenta	Sample	POpulati	Percenta	Sample
1	Sodo	1	1.2	1	7	6	5	6	6	5	4	3.6	3	18	16.8	14
2	Areka	1	1.2	1	7	6	5	4	3.6	3	5	4.8	4	17	15.6	13
3	Bodit	2	1.2	1	8	7.2	7	4	3.6	3	5	4.8	4	19	16.8	15
4	Humbo	1	1.2	1	7	6	5	5	4.8	4	5	4.8	4	18	16.8	14
5	Ofa	1	1.2	1	7	6	5	5	4.8	4	5	4.8	4	18	16.8	14
6	D/Woyde	1	1.2	1	7	6	5	5	4.8	4	5	4.8	4	18	16.8	14
	Total	7	7.2	6	43	37.2	32	29	27.6	23	29	27.6	23	108	100	84

Source: Omo MFI, 2020)

**Table3. 2 Sample sizes of Vision Fund micro-finance institutions**

$$n = 1.96^2 * 0.5^2 * 85 / 0.05^2 * (85 - 1) + 1.96^2 * 0.5^2 = 81.634 / 1.1704 = 69.75 = 70 \text{ (approximately)}$$

No	Branche	Position / department/												Total			
		Auditors			Accountant			Customer service			Tailor			populatio	Percenta	ge	Sample
		Populati	Percenta	Sample	populatio	Percenta	Sample	Populati	Percenta	Sample	Populati	Percenta	Sample				
1	Sodo	2	2.9	2	1	1.4	1	9	10	7	4	4.3	3	16	18.6		13
2	Areka	2	2.9	2	1	1.4	1	9	10	7	3	2.9	2	15	17.2		12
3	Bodit	2	2.9	2	1	1.4	1	9	10	7	3	2.9	2	15	17.2		12
4	Humbo	2	2.9	2	1	1.4	1	8	10	7	3	2.9	2	14	17.2		12
5	Gasuba	2	1.4	1	1	1.4	1	8	10	7	2	2.9	2	13	16.2		11
6	Bedessa	2	1.4	1	1	1.4	1	7	8.6	6	2	2.9	2	12	14.3		10
	Total	12	14.4	10	6	8.4	6	50	58.6	41	17	18.8	13	85	100		70

Source: Vision Fund MFI Report, 2020

### 3.5.3 Sampling technique

Sampling is the process of choosing representative portion of the entire population (Wireman, 1995). The selection of six branches, out of 15 total branches of Omo MFI, in the study area by using purposive selection method because of the other only one MFI (Metemamen MFI) is newly emerged MFI due to the relevancy of the study. Thus, both of Omo and Vision Fund MFI six selected branches are operating in the same towns. It helps to make comparative analysis between both selected branches of Omo and Vision Fund MFIs to measure the extent of employees' performances and other related performance indicators which result due to productivity and effectiveness of their employees. In order to take manageable number for the study, depending on this fact, proportional stratified random sampling technique was applied for the study, which is on the basis of their location, was used to get information from

employees who work in both micro-finance institutions. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. With this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample. According to Janet (2006), this step increases the probability that the final sample was representative in terms of the stratified groups.

### **3.6. Source of Data**

**This study incorporates both primary and secondary data.**

#### **3.6.1 Primary Data**

Primary data was used for better understanding of the issue under the study and were collected from respondents selected branches of micro-finance institution who was assume to give firsthand information on the subject under study. The self-administered survey questionnaire was used to collect the data from the respondent's .Before beginning actual data collection; the researcher was give awareness to the staff members with regard to the purpose of the research. Kothari, 2004).The researcher obtained the primary data in this study because all information received directly from the staff themselves. For that reason the information extracted the truth about the problem, and makes it to be meaningful and useful.

#### **3.6.2 Secondary Data**

Secondary data was gathered from sources like; annual reports, journal articles, internet, magazines, and books related to the subject of the study. These are consulted at length exact the information required to support the finding from the studies respondent

### **3.7. Data Collection instruments**

Kothari, (2004); pointed out that for the descriptive and explanatory study, the survey data method of collecting data were needed. A survey is a research techniques in which information are gathered from a sample of people using a questionnaire. In this study the questionnaires used to solicit responses from subjects

The questionnaire included both close-ended and open-end question items based on the objectives of the study, the research questions and points raised in the review of related literature by comprising four parts. **Part A** covered demographic characteristic of employees.

**Part B** was consisting of questions for the consistency distribution of incentive package and the effect of incentive packages on employee performance to the organizational employees. Which was measured by using Likert scale while **Part C** was contain questions relating to measure the level of employee performance using Likert scale type. Likert scales usually give the respondents a wide range of statements emerging from the literary discussion, where they are expected to always to never and strongly agree to strongly disagree. **Part D** The open- end questionnaire for organizational employees is crucial in ensuring that the study objectives are comprehensively evaluated.

### **3.8. Data Collection method**

The questionnaires were self-administered to the respondents by the researcher on hand delivery and given enough time to fill them, and then collected the complete questionnaires after a few days. The advantage of this method is that the researcher had the opportunity to personally introduce the study to the respondents and explain to them the intentions of the study, as he also clarified anything regarding doubts that may arise during the study.

### **3.9. Validity of the Instruments**

Validity of the research instrument is the ability of an instrument to measure what it is designed to measure. According to Kumar (2005), the judgment that an instrument is measuring what it is supposed to primarily based the logical link between the questions and the objectives of the study. In this study, triangulation was used to enhance data validation.

The researcher conducted discussion with business administration experts and senior researchers to verify face and content validity of the questionnaires. They assessed the relevance of the content used in the questionnaires and necessary modifications were made based on their feedback. Content validity of research instruments is judged by the researcher and experts in the field (Kumar, 2005). To further establish face and content validity of the research instruments, the researcher carried out twelve questionnaires distribute for respondents as a pilot study. The pilot study tested data collection and analysis procedures, clarity of the responses and the research as assistants and ensured that the research instruments were not only valid but captured the required data.

During the pilot study, the researcher visited the selected MFIs and reported to the manager office to seek authority to administer the questionnaires' to the employees. The pilot study was

carried out to determine the difficulty level of the questions and to check the weaknesses and clarity of the questions. In doing so, the discussions were held with business administration experts and senior researchers in verifying face and content validity of the questionnaires that the instruments could be used to solicit information for the study. Also, based on the results of the pilot study, the instruments were refined by modifying or eliminating inappropriate items.

### **3.10. Reliability of the Instruments**

Reliability of a research instrument is the degree of accuracy or precision in the measurements made by the research instrument (Kumar, 2005). Therefore, a measuring instrument is reliable if it provides consistent results (Kothari, 2004). The researcher conducted pilot study with four work positions (divisions) in order to determine the level of the reliability of the instruments

The internal consistency of the questions measuring the distribution of incentive packages, (financial and non-financial incentives) and employee performance were presented in Table 3 below.

**Table3. 3, Reliability of the Research Instruments**

Variables	Cronbach's Alpha	No. of Items
The consistency and fairness distribution of incentive packages	0.876	8
Financial Incentives	0.764	16
Non-financial Incentives	0.71	16
Employees performance	0.836	10

To determine the reliability of the questionnaire, the researcher used Cronbach's Alpha value to compute the reliability Cronbach's Alpha value of the questionnaires. The Cronbach's Alpha value for the distribution of incentive packages 0.876, financial incentives 0.764, non-financial incentives, 0.71 and employees' performance 0.836 respectively .These indicate that all scales had internal consistency and were therefore reliable for use. These were accepted as good indications of reliability. According to Fraenkel and Wallen (2002), an alpha value of 0.7 is considered suitable to make inferences that are accurate enough.

### **3.11. Method of Data Analysis**

Data analysis is the process of bringing order, structure and meaning to the mass of information gathered. Data collection through closed end, open ended questions & document evaluations were analyzed by using narration. After collecting all the necessary data, these data were coded and edited, analyzed and rephrased to eliminate errors and ensure consistency. Data collected from the respondents were entered into a computer and analyzed with the use of statistical packages for social scientists (SPSS) Version: 20, which assisted to summarize the coded data and expedited data analysis. Data collected from the questionnaires was carefully analyzed, summarized and interpreted by using both descriptive and inferential statistics. Descriptive Statistics (percentages, mean and standard deviation) was used to analyze data obtained. Data collected from the field is coded on the computer coding sheets and were presented in tables

The descriptive statistics include frequencies, valid percentages, means and standard deviation. These are used to present the demographic characteristics of the respondents and incentive package practices part of the questionnaires in a summarized manner. Inferential statistics is computed and used to come up on conclusion on how representative is the sample to talk about the relations between financial and non-financial incentives (independent variables) with employee performance (dependent variable) was made by using Pearson product- Moment Correlation Coefficient and Multiple regression analysis to investigate and compare the degree and character of relationships between a dependent variable and independent variables. Estimated regression coefficients indicate the relative importance of each independent variable in the prediction of the dependent variable in both MFIs. Findings were presented in tables discussed. The objective testing was conducted at 99% confidence intervals and eventually, findings, conclusions and recommendations are drawn from the entire population.

### **3.12. Ethical Consideration**

The researcher was used data from employees which are collected through self-administered questionnaires; as per permission is obtained from employees. To maintain confidentiality, the respondents were informed that the information they provide are confidential and used only for academic purpose. The respondents were informed not to write their names on the questionnaire. The data that are collected is kept confidential and the researcher was try to work on the paper with standard professional ethics.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS

In this chapter, the collected data through questionnaires is presented, analyzed and interpreted.

154 questionnaires were distributed to each of six selected branches of Omo and Vision Fund MFI, out of these questionnaires, 142 were filled properly. As a result, the overall response rate was 92.2 percent. The questionnaires were distributed and collected within one month (from March 07, 2012 to April 06, 2012 E.C.). Under this section the back ground and characteristics of respondents, the result of questionnaires and findings are discussed.

#### 4.1 Demographic profiles of the respondents

Below, the demographic profiles of the participants are analyzed based on the variables sex, marital status, and age, level of education, job categories/classification, service year and monthly income.

**Table 4 .1 Demographic distribution of respondents**

Variables	Description	Frequency	Percentage
Gender	Male	110	77.46
	Female	32	22.54
	Total	142	100
Marital Status	Single	7	4.9
	Married	133	93.6
	Divorced	2	1.5
	Others	-	-
	Total	142	100
Age	18-25 years	3	2.1
	26-30 years	50	35.2
	31-35 years	39	27.4
	36-40 years	35	24.8
	41-45 years	11	7.7

	50 and above	4	2.8
	Total	142	100
Division	Auditors	14	9.9
	Operation/customer	60	42.3
	Accountant/finance	32	22.5
	Supportive/taller	36	25.3
	Total	142	100
Tenure	Less than 1 year	-	-
	1-3 years	19	13.4
	4-6 years	55	38.7
	7-9 years	68	47.9
	10 and above	-	-
	Total	142	100
Education	Diploma	24	16.9
	1 <sup>st</sup> degree	112	78.9
	MBA/MSC	6	4.2
	PhD	-	-
	Total	142	100
Monthly Income	below 5,000	24	16.9
	5,001-10,000	112	78.9
	10,001-20,000	6	4.2
	Total	142	100

As depicts in table 4.1 about 77.46 % ( 110) respondents are male and the rest 22.54 % ( 32) respondents are female, based on this fact, male participants by far the majority (142) when compared with female participants. Regarding marital status, 4.9 % ( 7) are single, 93.6 % (133) are married and 1.5 % ( 2) is divorced.

The other demographic variable to be considered in this study is age, in table 4 above 35.2 % (50) respondents aged between 26-30 years, this clearly showed most of the respondents were

young ,consequently, it is vital for the MFI incentive planners to design appropriate reward strategy in order to retain this young labor force to achieve organizational objectives. Respondents aged between 31-35 is 27.4 % (39), respondents aged 36-40 is 24.8% (35), respondents aged between 41-45 is 7.7 % (11), respondents aged 50 and above 2.8% (4) and the respondents were aged under 18-25 years is 2.1% (3). Table 4 also reveals that customer service officer dominate the sample with 42.3 % (60) respondents, whereas 25.3 % (36), 22.5 % (32) and 9.9 % (14) respondents have a position supportive/taller/, accountant or finance and auditors respectively.

In table 4.1 the length of service year of the respondents reveals that almost half of the respondents that is 47.9 % (68) they have been working in the MFI between 7-9 years, 38.7 % (55) respondents they have been working between 4-6 years, from the total respondents 13.4 % (19) of them they have been working between 1-3 years and none of the respondents working less than 1 year and above 10 years in the organization.

On the basis of educational qualification, majority of the respondents 78.9 % ( 112) were degree holders. This implies that most of the respondents are educated and have a good insight about reward systems, the rest 16.9 % ( 24) and 4.2 % ( 6) respondents were diploma and MBA/M.SC holders respectively. No respondents were a PhD. holder. Finally, in the above table 4.1, 16.9% (24), 78.9 % (112) and 4.2 % (6) have monthly income below 5, 000, between 5001-10,000 and 10,001-20,000 respectively, this implies that monthly income is less to see the open market salary scale specifically within Omo micro-finance institution

#### 4.2. Fairness and consistency of incentive packages which distributed in micro-finance institutions

**Table 4.2. Fairness and consistency of incentive packages which distributed in micro-finance institutions**

Types of incentive packages	MFIs	Always		Usually		Sometimes		Rarely		Never		Total	
		F	%	F	%	F	%	f	%	F	%	f	%
Level of basic salary	Omo	-	-	-	-	70	92.1	6	7.9	-	-	76	100
	VF	50	75.8	10	15.1	6	9.1	-	-	-	-	66	100
Bonus	Omo	-	-	-	-	71	93.4	-	-	5	6.6	76	100
	VF	55	83.3	-	-	11	16.7	-	-	-	-	66	100
Profit sharing	Omo	-	-	-	-	-	-	-	-	76	100	76	100
	VF	-	-	-	-	-	-	-	-	66	100	66	100
Perquisite pay	Omo	-	-	-	-	4	5.3	-	-	72	94.7	76	100
	VF	54	81.8	8	12.2	4	6	-	-	-	-	66	100
Status	Omo	-	-	10	13.1	60	79	6	7.9	-	-	76	100
	VF	-	-	45	68.2	21	31.8	-	-	-	-	66	100
Organizational climate	Omo	-	-	-	-	6	7.9	-	-	70	92.1	76	100
	VF	20	30.3	46	69.7	-	-	-	-	-	-	66	100
Job security	Omo	55	72.4	-	-	21	27.6	-	-	-	-	76	100
	VF	-	-	-	-	56	84.8	10	15.2	-	-	66	100
Employee participation	Omo	66	86.8	-	-	10	13.2	-	-	-	-	76	100
	VF	-	-	-	-	56	84.8	10	15.2	-	-	66	100

Source: Survey Result 2020

As it can be observed from the above table 4.2, 70 (92.1%) and 6 (7.9 %) of the total 76 sample respondents responded ‘never’ and ‘some time’ respectively to the statement which is about the distributed of attractive basic salary in OmoMFI. This indicates that majority of respondents asserted that the basic salary increment is not attractive and the increment not based on the performance of the employee during the year. Whereas, in VF MFI 50(75.8%), 10 (15.1%) and 6 (9.1%) of the respondents opted ‘always’, ‘usually’ and ‘sometimes’ to the

above item in table 4 respectively. This implies that the basic salary increment is based on the employees' performance and it is attractive, i.e. the salary has indeed push them to be more discipline on their work ethic in Vision Fund MFI

Besides, to the statement which is about the payment of bonus which practiced in MFIs, 71(93.4%) and 5(6.6%) of the 76 respondents stated 'sometimes' and 'never' respectively in Omo MFI. However, 55(83.3%) of the respondents claim 'always' and 11 (16.7%) of the respondents replied 'sometimes' to the distribution of bonus in VF MFI. Regarding the statement which states the distribution of profit sharing, 100% of respondents claimed never there is any distribution of the profit sharing in both Omo and Vision Fund MFIs at the employee level.

The above table 4.2 also indicate that 72(94.7%) and 4 (5.3%) of the 76 respondents stated that they 'never' and 'sometimes' pay perquisite for their employees in Omo MFI. In contrary in Vision Fund MFI was 54(81.8%), 8 (12.2%) and 4 (6%) of respondents stated, 'always', 'usually' and 'sometimes' respectively for this item. This implies that majority of respondents accepted that the distribution of perquisite pay in Vision Fund MFI is encouraging and it motivates the employees to work efficiently compared with Omo MFI.

Regarding status of an employee in the organization, 60 (79%), 10 (13.1%) and 6 (7.9%) of respondents of Omo MFI respectively claims 'sometimes', 'usually' and 'rarely' to the above item. This indicates the salary increment in Omo MFI sometimes distributed on the level of authority and on the status of an employee in the organization. Contrary to this, in the same item 45 (68.2%) and 21 (31.8%) of respondents from Vision Fund MFI indicated that the extent of the distribution of the status of an employee opted 'sometimes' and 'usually' respectively.

The next item states whether the organizational climate is positive or not. With regard to this, 6 (7.9 %) and 70 (92.1%) of the respondents stated 'usually' and 'never' about the environmental characteristics of an organization that are perceived by the employees of Omo MFI. However, in the same item 20 (30.3%) and 46 (69.7%) of respondents respectively from Vision Fund MFI claim 'always' and 'usually' about the organizational climate is positive for the employees

The above table 4.2 also indicates that 55(72.4%) and 21(27.6%) of the participants responded 'always' and 'sometimes' consecutively to the job security of the employees in Omo MFI. This shows that there is job stability and a sense of security among the employees. In contrast, 56 (84.8%) and 10 (15.2%) of respondents were stated 'sometimes' and 'rarely' consecutively to the above item in Vision Fund MFI. This implies that in Vision Fund MFI majority of respondents confirmed that the employees are worried about the future and their security of work.

The last item in the above table 4.2 indicate that 66(86.8%) and 10 (13.2%) of the total 76 respondents stated that they 'always' and 'sometimes' about employee participation. This show that majority of respondents ascertained that there is conducive environment involve the employees in decision making and this builds a sense of belongingness among employees. In contrast, in Vision Fund MFI 56(84.8%) and 10 (15.2%) of respondents were stated 'sometimes' and 'never' respectively for this item. It is possible to conclude that the extent of the distribution of employee participation in Visio Fund MFI is weak.

In conclusion, from the above result, it can be generalized that the distribution of some financial incentive packages such as the level of basic salary, bonus and perquisite pay are poorly distributed in Omo MFI compared with Vision Fund. On the other hand, non-financial incentives are moderately distributed in both MFIs. It can be also generalize that profit sharing never consistently distributed at the employee level in both Omo and Vision Fund MFIs.

### **4.3 Descriptive Analysis**

The second part of the research questions seeks to understand the effect of incentive packages on employees' performance looks like in both MFIs. What type of incentive packages are applicable to employees which has been analyzed and presented on following tables. According to Zaidat and Bagheri (2009), the mean score below 3.39 is considered as low; the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.80 is considered as high as illustrated in table 6 below.

**Table 4.3 Comparison Bases of Mean Score**

No	Mean Score	Description
1	< 3.39	Low
2	3.40 – 3.79	Moderate
3	> 3.80	High

Source: Zaidaton&Bagheri (2009)

**4.3.1 Comparison of theeffectof financial incentive packages on employees’ performancebetweenOmo and Vision Fund MFIs**

**Table 4.4** Comparison of the effect offinancial incentive packages on employees’ performancebetweenOmo and Vision Fund MFIs

Descriptive Statistics on Financial Incentives						
Variables	Omo MFI			Vision Fund MFI		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
I am employee of the institution I am satisfied on pays of salary that I have.	76	2.7105	1.09320	66	4.2424	.94561
Pay level set on the basis of job and market scarcity not on the individual,	76	1.6053	.69434	66	4.3485	.73364
Salary increment is based on the performance of employee during the year.	76	3.6579	1.06524	66	4.5758	.60918
Basic salary in my organization based on qualification and performance	76	1.4342	.63949	66	4.4394	.74687
Bonuses are leads to an employee are performing well.	76	1.1053	.41885	66	4.2727	.79509
Bonuses reflect their contributions to	76	1.1316	.44248	66	4.4848	.61375

employees' effectiveness are common-place.						
Bonuses can Rewarded high level of achieving employees	76	1.0263	.16114	66	4.6970	.60688
Bonus incentive promotes innovation and creative problem solving	76	1.0526	.27784	66	3.6667	.86528
Profit sharing pay creates a greater sense of responsibility of the job on the part of employee	76	1.0132	.11471	66	2.3030	1.25232
Profit sharing stimulates the employee to works harder than what he/she usually does	76	1.0526	.32227	66	2.6212	1.21231
Profit sharing provision must be fair in my institution.	76	1.0132	.11471	66	3.0606	.65348
Profit sharing incentive to improve employees' performance by retaining qualified staffs.	76	1.1184	.43103	66	3.8030	.82685
Perquisites pay just general celebration for good employees' performance.	76	2.5395	.80731	66	4.6061	.67662
Perquisite pay offering to employees, it helps to deliver better earning and retention.	76	2.1842	.87499	66	4.3636	.71546
Perquisite pay tied to build employee engagement.	76	2.3553	.91948	66	4.9091	.28968
Perquisite pay initiates an employees' for greatest work and responsibility.	76	2.9079	.43750	66	4.2424	.80500

Source: Survey result, 2020

As shown in the above table 4.4 "I am satisfied on pays of salary that I have" Their mean and stand. Deviations of VF and Omo MFIs are 4.24, (S.D= .9456,) and 2.71, (S.D= 1.0932) respectively, according to the criterion of Zaidaton&Bagheri (2009) VFMFII employees are highly satisfied on pay of their salary they have. Whereas Omo MFI employees are dissatisfied on pay of their salary they have .This implies that VFMFII salary payment better to encourage the employees and push to work hard their tasks. This is ensured with the result of Arraya, (2013). When human income is adequately motivated, it leads to enhancement in performance and service delivery.

As indicated on the above table 4.4 for the item of "Pay level set on the basis of job and market scarcity not on the individual " the mean value and stand. deviations of Vision Fund and OMFIs are, 4.35, (SD=.7336) and 1.60, (S.D= .6943) respectively, according to the criterion indicates that pay level less like to set on the basis of job and market scarcity in OMFI. Whereas in Vision Fund MFI the pay level highly to set on the basis of job and market scarcity but not on the individuals. This implies that pay level positively affect employee's performance in VFMFII.

As point out on the above table 4.4 for the item of " basic salary in my organization based on qualification and performance" the mean value and stand deviation of OMFI is 3.66, (S.D=1.0652) according to the criterion moderately the base of basic salary payment made on qualification and performance encourages to perform better. Whereas the mean value 4.56, (S.D=.6092) in VFMFII according to the criterion the base of basic salary payment made on qualification and performance should be highly encourages the employee to perform better.

As shown in the above table 4.4 for the item of "Salary increment is based on the performance of employee during the year" in Omo and VFMFIs the mean value and stand deviation are 1.43, (S.D=.6395) and 4.44, (S.D=.7468) respectively, according to the criterion of Zaidatol&Bagheri (2009) implies that less like the salary increment is based on the performance of employee during the year in OMFI. Whereas in VFMFII the salary increment highly based on performance of employees during the year. In general the salary of the OMFI is not satisfied the employees and not compared to the market. These results are similar with Stanley (2012) who points out that, salary yielded dissatisfaction and directly influence performance.

As indicated on the above table 4.4 "Bonuses are stimulating employees to perform well." Their mean and stand. Deviations of VF and Omo MFIs are 4.27, (S.D= .6137,) and 1.11, (S.D= .4188) respectively, according to the criterion of Zaidatol&Bagheri (2009) VFMFII the provision of bonuses for employees are high lubricated to perform their tasks well. Whereas Omo MFI the provision of bonuses for employees are low lubricated to perform their tasks. This implies that VFMFI bonus more to push and boosts employees moral to work hard their tasks

As shown in the above table 4.4 for the item of "Effectiveness of an employees' are implies the contribution of bonuses "the mean value Vision Fund and Omo MFIs are, 4.48, (SD=.6069) and 1.13 (S.D= .4425) respectively, according to the criterion shows that low effectiveness of an employees are implies the contribution of bonuses in Omo MFI. Whereas in Vision Fund MFI high effectiveness of an employees are implies the contribution of bonuses. This implies that bonus is positively affect employee's performance in VFMFI. This is ensured with on the result of the effectiveness of skilled employees is likely to be desired if they are motivated to perform Bear et al, (2013).

As indicated on the above table 4.4 for the item of "my institution rewarded high level goal achievers" the mean value and stand deviation of OMFI is 1.02, (S.D=.1611) according to the criterion the institution rarely reward to high level goal achievers. Whereas the mean value 4.70, (S.D=.8652) in VFMFI according to the criterion the institution the best to reward high level goal achievers. This implies that bonus has a positive correlation on the performance of the employee.

As point out on the above table 4.4, for the item of "Bonus incentive enhance innovation and creative problem solving" in Omo and VFMFIs the mean value and stand deviation are 1.05, (S.D=.2728) and 3.67, (S.D=1.2523) respectively according to the criterion of Zaidaton&Bagheri (2009) implies bonus incentive enhance innovation and creative problem solving is low in OMFI. Whereas in VFMFI bonus incentive packages moderately to enhance innovation and creative problem solving. This shows that bonuses incentive helps to improve the working methods or enhance the performance or cost savings

In general the bonus of OMFI has not motivated the employees and cannot help to perform well. Whereas the bonus of VFMF has to come up with the way to keep their employee

motivation on the highest level so that the institution as a whole can perform well within the competition. This is ensured with the result of bonus is a sum of money offered to an employee over and above the salary or wages as a reward for his good performance (Gomez-Mejia, 2014)

As indicated on the above table 4.4, "Profit sharing pay creates a greater sense of responsibility of the job on the part of employee." Their mean and stand. Deviations of VF and Omo MFIs are 2.30, (S.D=1 .2523) and 1.01, (S.D= .1147) respectively, according to the criterion of Zaidaton&Bagheri (2009) in both Omo and Vision Fund MFIs profit sharing little to create a sense of responsibility of the job on the part of employees,

As shown in the above table 4.4, for the item of "Profit sharing stimulates the employee to works harder than what he/she usually does" the mean value Vision Fund and Omo MFIs are, 2.62, (SD=1.2123) and 1.05 (S.D= .2223) respectively, according to the criterion of Zaidaton&Bagheri (2009) shows that in both Omo and Vision Fund MFIs profit sharing less to stimulates the employees to works harder than what he/she usually does. This shows that the employees being inactive and not willing to take responsibility at work.

As point out on the above table 4.4, for the item of "Profit sharing provision must be fair in my institution." the mean value and stand deviation of OMFI is 1.01, (S.D=.1147) and the mean value 3.06, (S.D=.6535) in VF MFI according to the criterion in both Omo and Vision Fund MFIs the fairness of profit sharing provision is low, This implies that the employee's income will be not based on their performance.

As indicated on the above table 4.4, for the item of "Profit sharing incentive to improve employees' performance by retaining qualified staffs." in Omo and VF MFIs the mean value and stand deviation are 1.12, (S.D=.4310) and 3.80, (S.D=.8265) respectively according to the criterion of Zaidaton&Bagheri (2009) shows that Profit sharing incentive to improve employees' performance by retaining qualified staff is low in OMFI. Whereas in VF MFI profit sharing is better to improve employee's performance by retaining qualified employees.

In general profit sharing incentive in both Omo and VF MFIs has not improved a sense of responsibility and employees performance by retaining the qualified employees. This shows that improvement of the employee's performance is affected by the incentive. This result is not similar with the result of Luthans, 2013), argued that, profit sharing income has been to

attract, motivate, and retain qualified employees as well as to serve as a reinforcement of employee performance

As shown in the above table 4.4,” Perquisites pay just general celebration for good employees’ performance.” Their mean and stand. Deviations of VF and Omo MFIs are 4.61, (S.D= .6766) and 2.54, (S.D= .8073) respectively, according to the criterion of Zaidaton&Bagheri (2009) in Omo MFI Perquisites pay for general celebration of good employees’ performance is low. Whereas Perquisites pay for general celebration of good employees’ performance is high in VF MFI to compare with OMFI. This implies that individuals who receive appropriate incentive they deserve to be a high sense of satisfaction.

As point out on the above table 4.4, for the item of “Perquisite pay offering to employees, it helps to deliver better earning and retention “the mean value and stand .deviations of Vision Fund and Omo MFIs are, 4.36, (SD=.7155) and 2.18 (S.D= .8750) respectively, according to the criterion of Zaidaton&Bagheri (2009) shows that in Vision Fund MFI Perquisite helps to deliver better earning and retention is high. Whereas in OMFI perquisites helps to deliver better earning and retention is low.

As indicated on the above table 4.4, for the item of “Perquisite pay tied to build employee engagement” the mean value and stand deviation of OMFI is 2.36, (S.D=.9195) and the mean value and stand deviations 4.91, (S.D=.2897) in VF MFI according to the criterion in OMFI the Perquisite to build employee engagement is minimum, whereas in VF MFI Perquisite to build employee engagement is high to compare with Omo MFI.

As shown in the above table 4.4, for the item of “Perquisite pay initiates an employees’ for greatest work and responsibility.” in Omo and VF MFIs the mean value and stand deviation are 2.91, (S.D=.4375) and 4.24, (S.D=.8050) respectively according to the criterion of Zaidatol&Bagheri (2009) implies that Perquisite incentive initiates an employees’ for greatest work and responsibility is low in OMFI. Whereas in VF MFI Perquisite incentive highly to initiates an employees’ for greatest work and responsibility. This implies that financial incentives can produce generalized performance benefit. In general Perquisite incentive in VF MFI creates a greater sense of responsibility of the job on the part of the employee. This is supported with on the result of Ende, (2012) ensures that an empirical research has shown that perquisites help a greater sense of responsibility and enhance individual creative performance

**Table 4.5 Summary** of the effect of financial incentive packages on employees' performance between Omo and Vision Fund Micro Finance Institutions

Variables	Omo MFI		Vision Fund MFI	
	Mean	Std. Dev.	Mean	Std. Dev.
Basic Salary	2.35	0.8729	4.40	0.7587
Bonus	1.078	0.3250	4.27	0.7201
Profit Sharing	1.049	1.246	1.34	0.9862
Perquisite	2.49	1.048	4.53	0.6216
Average Mean	<b>1.74175</b>	0.8729	<b>3.635</b>	0.7716

Source: Survey result, 2020

As indicated in the above table 4.5, Omo MFI the mean values of financial incentives such as basic salary (Mean= 2.35) and perquisite pay (Mean= 2.49) are above the average mean value i.e. 1.74. Whereas, bonus (Mean=1.07) and profit sharing (Mean=1.04) are below the average mean value (1.741). This indicates that employees from Omo MFI dissatisfied towards the effects of financial incentive packages on employee performance.

In contrast, the mean values of basic salary (Mean= 4.40), bonus (Mean= 4.27) and perquisite pay (Mean=4.53) are above the average i.e. 3.63. This means employees from Vision Fund MFI towards financial incentive packages the mentioned variable is highly satisfactory. But the mean value of profit sharing (Mean=1.34) is below the average. This shows that Vision Fund MFI does not allow purchase share for the employees. According to Zaidaton&Bagheri (2009), the aggregate mean value (3.63) falls on the response scale of moderate. Thus, the financial incentive packages of the Vision Fund MFI are highly satisfactory compared with Omo MFI. The overall result shows that Vision Fund with a group mean of 3.63 provide better financial incentive than the Omo MFI with a group mean of 1.74 (see Table 4.4). The study is agreed with the findings of Armstrong (2009) described that, financial incentives provided by employers in the form of pay will help to attract and retain employees and for limited periods, may increase effort and minimize dissatisfaction.

### 4.3.2 Comparison of the effect of non-financial incentive packages on employees' performance between Omo and Vision Fund MFIs

**Table 4.6** Comparison of the effect of non-financial incentive packages on employees' performance between Omo and Vision Fund MFIs

Variables	Omo MFI			Vision Fund MFI		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
Status pay induces an employees' willing to exert extra effort to work.	76	2.9868	.57720	66	3.3684	.68977
Status leads to the greater productivity goal and earning	76	3.2576	1.15400	66	3.7571	.92919
In status employees committed to perform top level	76	3.8636	.92631	66	3.323	1.13401
Seniority pay can reduce supervision costs.	76	2.1579	1.25484	66	3.3182	1.19175
My organizational climate plays an important role in maintaining better work and relationship b/n employees.	76	2.6974	1.38583	66	4.0909	.81764
Mutual organizational climates helps to reduce employees' turnover	76	2.8684	1.04998	66	3.9394	.89234
Organizational climates have positive effect on employees' performance.	76	3.3158	.89756	66	3.8182	.83958
Mutual organizational climates leads to enhance innovation	76	2.8158	.97585	66	3.3158	.89756
Job security can helps to Increase Productivity.	76	4.4690	.82685	66	3.268	1.08158
I believe that the job is secure then I	76	3.8182	.83958	66	3.2576	1.15440

work hard within the organizations.						
I am not worried about the future, thus work with more enthusiasm.	76	3.3158	.89756	66	3.3182	1.08355
Job security build trust with employers	76	3.7567	.92919	66	3.0979	.56986
Employee participation improves the work-flow and work methods	76	3.7763	.87329	66	4.0303	.87178
Employee participation to enhance responsibility and accountability.	76	4.4697	.82685	66	3.6818	.87984
Employees participation keeps happy to work	76	3.268	1.08158	66	3.2763	.50593
Employees' involved in planning and goal setting to reduce absenteeism.	76	4.1515	.98046	66	2.9211	..60582

Source: Survey result, 2020

The respondents accepted that Status pay induces an employees' willing to exert extra effort to work indicated in VFMFI by 3.36 mean with 0.6898 SD and as indicated by 3.76 mean with 0.9292 SD the respondents supported that Status leads to the greater productivity goal and earning. The above two items in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that moderately prepare market strategy to improve the institution performance in VFMFI, also the respondents accepted that in status employees committed to perform top level as indicated by 3.32 mean with 1.1340 SD. and The respondents supported that Seniority pay can reduce supervision costs by 3.32 mean with 1.1917 SD. The above two items in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that little to boost the institution productivity. Whereas The respondents agreed that Status pay induces an employees' willing to exert extra effort to work indicated in Omo MFI by 2.97 mean with 0.5772 SD and respondents supported that Status leads to the greater productivity goal and earning as indicated by 2.26 mean with 1.1540 SD. also the respondent accepted that Seniority pay can reduce supervision costs as indicated by 2.16 mean with 1.2548 SD. The above three items in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that little to prepare the best market strategy to improve the

institution performance in Omo MFI. The respondents agreed that in status employees committed to perform top level as indicated by 3.86 mean with .9268 SD in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that highly to boost the institution productivity in Omo MFI. In general this shows that status incentive creating a sense of stability and loyalty to the institution in vision fund micro-finance. The study is consistent with the findings of Herzberg, (2009) who stated that non- monetary incentives such status, job security and fringe benefits if provided, it produce satisfaction.

The respondents accepted that my organizational climate plays an important role in maintaining better work and relationship b/n employees as indicated by 4.09 mean with 0.8176 SD. and as indicated by 3.94 mean with 0.8923 SD the respondent agreed that mutual organizational climates helps to reduce employees' turnover, also the respondents agreed that Organizational climates have positive effect on employees' performance as indicated by 3.82 mean with .8396 SD. The above three items in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that high positive organizational behavior to improve the institution performance in VFMMFI, also the respondents accepted that Mutual organizational climates leads to enhance innovation as indicated by 3.32 mean with .8176 SD. in table 9 according to the criterion of Zaidaton&Bagheri (2009) implies that little to initiate creativity and innovation for increasing the employees performance. Whereas The respondents agreed that my organizational climate plays an important role in maintaining better work and relationship b/n employees as indicated in Omo MFI by 2.70 mean with 1.3858 SD The respondents accepted that mutual organizational climates helps to reduce employees' turnover as indicated by 2.87 mean with 1.050 SD. Also the respondents agreed that Organizational climates have positive effect on employees' as indicates by 3.32 mean with 8936 SD. and respondents accepted that Mutual organizational climates leads to enhance innovation as indicated by 2.82 mean with .9758 SD. This implied that organizational climates negatively influence employees' performance in Omo MFI to a great extent. In general this implies that organizational climate is positive; employees avoid a lot of problems such as absenteeism, turnover negative action in VFMMFI.

The respondents accepted that Job security can helps to Increase Productivity as indicated above on table 9 by 3.27 mean with 1.0816 SD. and as indicated by 3.26 mean with 1.1544 SD the respondents agreed that I believe that the job is secure then I work hard within the

organizations also the respondents supported that I am not worried about the future, thus work with more enthusiasm as indicated by 3.32 mean with 1.0850 SD and the respondents agreed that Job security build trust with employers as indicated by 3.10 mean with .5697 SD. The above four items in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that give less significant to boost on employee performance in VFMFI. Whereas the respondents accepted that Job security can helps to Increase Productivity as indicated in Omo MFI by 4.47 mean with .8268 SD the respondents agreed that I believe that the job is secure then I work hard within the organizations as indicated by 3.82 mean with .8396 SD. The above two items in table 9 according to the criterion of Zaidaton&Bagheri (2009) implies that give high significant to boost on employees performance in Omo MFI.

Also the respondents agreed that Job security build trust with employers as indicates by 3.76 mean with 9292 SD. according to the criterion moderately job security builds with employers respondents accepted that I am not worried about the future, thus work with more enthusiasm as indicated by 3.32 mean with .8976 SD. This implied that job security negatively affects employee's performance in Omo MFI. In general this shows that Individuals trying to influence the opportunity of job security to change their efforts and performance. Try to leave work in the institutions.

The respondents accepted that Employee participation improves the work-flow and work methods as indicates by 4.03 mean with .8718 SD. This item in above table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that the employee have high capacity to perform the desired objective in VFMFI. The respondents supported that Employee participation to enhance responsibility and accountability as indicates by 3.68 mean with .8798 SD. according to the criterion moderately it enhances responsibility and accountability in VFMFI. The respondents agreed that employees participation keeps happy to work as indicated in VFMFI by 3.28 mean with .5059 SD and the respondents accepted that employees' involved in planning and goal setting to reduce absenteeism as indicated by 2.92 mean with .6058 SD. The above two items in table 4.6, according to the criterion of Zaidaton&Bagheri (2009) implies that less effectively reducing absenteeism and tardiness of the employee in VFMFI. Whereas in OMFI the respondents accepted that employee participation improves the work-flow and work methods as indicates by 3.78 mean with .8733 SD. This item in above table 4.6, according to the criterion of Zaidaton&Bagheri (2009)

implies that the employee have moderate capacity to perform the desired objective. The respondents agreed that Employee participation to enhance responsibility and accountability as indicates by 4.50 mean with .8269 SD. and the respondents agreed that employees' involved in planning and goal setting to reduce absenteeism as indicated by 4.15 mean with .9805 SD. The above two items in table 9 according to the criterion of Zaidaton&Bagheri (2009) implies that more effectively reducing absenteeism and tardiness of the employee in OMFI. The respondents supported that employees' participation keeps happy to work as indicated in Omo MFI by 3.27 mean with 1.0816 SD The above item in table 9 according to the criterion of Zaidaton&Bagheri (2009) implies that the employees participation keeps less happy to work in OMFI. In general employees' involved in decision-making within the institution to increase the performance, accountability and reduce complaints.

**Table 4.7** Summary of the effect of non-financial incentive packages on employees' performance between Omo and Vision Fund MFIs

No	Variables	Omo MFI		Vision Fund MFI	
		Mean	Std. Dev.	Mean	Std. Dev.
1	Status	3.066475	0.9780875	3.44175	0.98618
2	Organizational climate	2.92435	1.077865	3.791	0.86178
3	Job security	3.84	.873795	3.2354	0.9723475
4	Employee participation	3.916375	0.9405375	3.482375	0.7158425
	Average Mean	3.4368	0.96743125	3.4876	0.88864

**Source: Survey result, 2020**

Table 4.7 above presents non-financial incentive packages which practiced by MFIs. The overall mean score of Omo and Vision Fund MFIs are 3.44 and 3.49 respectively. According to Zaidaton&Bagheri (2009), the aggregate mean values fall on the response scale of moderate (3.44) in Omo MFI and moderate (3.49) in VF MFI.

As can be seen on the above table, the first item of non-financial incentive package, which says "status of the employees' leads to give extra effort to help the organization", has the mean value (Mean=3.07) with a standard deviation of .9780. According to Zaidaton&Bagheri

(2009) of table 6, the mean value (3.07) falls on the response scale of "low". This implies that Omo MFI less to considered the status of the employees that leads to give extra effort to help the organization. Whereas, in Vision Fund MFI, with the same item, has the mean value (Mean=3.44) with standard deviation of .9862. According to criterions of Zaidaton&Bagheri (2009) of table 6, the mean value (3.44) falls on the response scale of "moderate". This indicated that Vision Fund MFI is moderately considered the status of employees that can satisfy self-esteem and psychological needs of an employee; in addition to that it will increase their efforts and performance.

The next item, which states "organizational climate", has mean values of 2.92 and 3.79 of Omo and VF MFIs respectively. According to criterions of Zaidaton&Bagheri (2009) of table 5, the mean value (2.92) falls on the response scale of "low" in Omo MFI and the mean value (3.79) rests on "moderate" in VF MFI. The survey found that Omo MFI employees are dissatisfied in organizational climate whereas VF MFI employees satisfied because they received conducive working environment from their institution and provide better facilities 'in an organization may improve employees' performances. This finding agrees Robbins (2009) that good organizational climate motivates and determines the employees' performance and productivity.

The scale item, which states "job security", has mean value of (Mean=3.84) and (Mean=3.23) of Omo and Vision Fund MFIs respectively. A comparative analysis shows that job security in Omo MFI is more effective and increases productivity with a mean value of (Mean=3.84) while in the Vision Fund MFI the job security is less effective with a mean value of (Mean=3.23). Davy, Ki Nicki and Scheck (1997) assert that, job security refers to an individual's expectations about continuity in a job situation, and extends to concern over loss of desirable job features such as promotion opportunities and working conditions.

The last scale item, which states "employee participation," has mean values of (Mean=3.92) and (Mean=3.48) of Omo and VF MFIs respectively. According to Zaidaton&Bagheri (2009) of table 4.3, the mean value (Mean=3.48) falls on the response scale of "moderate" in VF MFI and the mean value (Mean=3.92) rests on the response scale of "slightly high" in Omo MFI. The findings shows that Omo MFI the employees more participate in the decision making process whereas in VF MFI the practice of involvement of employee in the decision making is

moderate. This result is not compromised with (Hewitt, 2002) a modern forward-looking business does not keep its employees in the dark about vital decisions affecting them. It trusts them and involves them in decision making at all levels. “Command and control” is no longer an adequate model. A more open and collaborative framework will exploit the talents of all employees.

To sum up, The overall result shows that more or less Vision Fund MFI with a group mean of 3.49 provide better non-financial incentive than the Omo MFI with a group mean of 3.44(see Table 4.6).

### 4.3.3 Comparison of employees’ performance between Omo and Vision Fund MFIs

**Table 4.8 Comparison** of employees’ performance between Omo and Vision Fund MFIs

Measurements of Employee performance	Omo MFI			Vision Fund MFI		
	N	Mean	Std. Deviation	N	Mean	Std. Deviation
I believe that the quality of work improves overtime, in order to increase the productivity.	76	3.1263	.55015	66	4.7424	.47428
There is quality of efficient service delivery to increased customer satisfaction, it helps to increase the number of new customer’s overtime	76	3.2289	.61274	66	4.8030	.43746
I am always having the sense of what to do and when to do.	76	3.3895	.79842	66	4.7576	.52800
I am eager to learn on ways of making them salves more productive	76	4.8947	.34944	66	4.8788	.37273
I work more than usually I do.		3.0579	.86438	66	4.6061	.69898
I am working without supervision to	76	3.0658	.81806	66	4.5000	.74936

solve customer complain.						
I need to divide my work time effectively across my work.	76	3.3658	.91806	66	4.5000	.74936
I have willingness to do my job on time.	76	4.6184	.67265	66	4.5606	.70446
I can keep my goals current and 'catch 'problems early.	76	3.2289	.61274	66	4.8030	.43746
I like making suggestion to improve work process.		3.0579	.86438	66	4.6061	.69898
Average mean		3.53946	.635026		4.75758	.50229

Source: Survey result, 2020

As can be seen on the above table 4.8, the first scale item of employee performance, which says “quality of work increases the productivity”, has the mean value with a standard deviation (Mean=3.12; SD=.55015) of Omo MFI and the highest mean value (Mean=4.74; SD=.47428) with a standard deviation of Vision Fund MFI. According to criterions of Zaidaton&Bagheri (2009), the mean value (3.12) falls on the response scale of "low" in Omo MFI and the mean value (4.74) rests on the response scale of "high" in Vision Fund MFI. So, this implies that most respondents from Vision Fund MFI highly believed on the quality of work increases the productivity of the employees. This finding similar with, Millar (2007) ensured that productivity is a measure of the quantity and quality of work done.

The next, which states “quality of efficient service delivery to increased customer satisfaction, it helps to increase the number of new customer’s overtime”, has mean value of 3.22 and standard deviation of .61274 of Omo MFI. This mean value also has a response scale equivalence of "low" with the construct item. In contrast, with the same variable in VF MFI, the mean value (4.80) rests on the response scale of "high". The survey found that majority of respondents of VF MFI is confirmed that quality of efficient service delivery to increased customer satisfaction, it helps to increase the number of new customer’s overtime. But the respondents from Omo MFI are less believed on quality of efficient service increases the number of new customer’s and their satisfaction.

The majority of respondents from Vision Fund MFI are committed and took their responsibility in order to perform their work which indicated by mean value of 4.75 with standard deviation .52800. Whereas, according to criterions of Zaidaton&Bagheri (2009), the mean value (3.38) falls on the response scale of "low" in Omo MFI. This implies that employees in Omo MFI are not committed to perform their tasks compared with Vision Fund MFI.

The scale item, "I am eager to learn new approaches to be more productive" has mean values of 4.89 and 4.87 of Omo and VF MFIs respectively. According to criterions of Zaidaton&Bagheri (2009), the mean values (4.89) and (4.87) fall on the response scale of "high" in both Omo and VF MFIs. Thus, this indicates that most respondents are aggressively eager to learn different strategies to satisfy their customers need and to be more productive both in MFIs.

The next item, which states "I work more than usually I do", has mean values of 3.05 and 4.60 of Omo and VF MFIs respectively. According to criterions of Zaidaton&Bagheri (2009) of table 6, the mean value (3.05) falls on the response scale of "low" in Omo MFI and the mean value (4.60) rests on the response scale of "high" in Vision Fund MFI. The survey found that employees of Omo MFI were spent extra time on routines of activities. In contrast, majority of employees of Vision Fund MFI were investing their time to satisfy customer and this result indicates the employee become more productive.

The majority of the respondents from Vision Fund MFI ascertained that I am working without supervision to solve customer complain is better to enhance employee's effectiveness which indicated in mean value of 4.50 with standard deviation.74936. This finding agreed with Christopher Gust& Jaime Marquez, (2004), it ensures that high performing, effective organizations have a culture that encourages employee involvement. Therefore, employees are more willing to get involved in decision-making, or problem solving activities, which subsequently result in higher employee performance. Whereas, according to criterions of Zaidaton&Bagheri (2009), the mean value (3.06) with standard deviation .81806 falls on the response scale of "low" in OmoMFI. This implies that the level of the effectiveness of employees in OmoMFI is low compared with Vision Fund in making decisions and problem solving.

The next item, which states “I need to divide my work time effectively across my work (.project)”, has mean value of 3.36 and standard deviation of .918066 of Omo MFI. This mean value also has a response scale equivalence of "low" with the construct item. In contrast, with the same variable in Vision Fund MFI, the mean value (4.50) and standard deviation .74936 rests on the response scale of "high". The survey found that majority of respondents of Vision Fund MFI is confirmed that an employee satisfied on their tasks, in order to increase their performance. But the respondents from Omo MFI negatively perceived to increase their performance.

The scale item, “I have willingness to do my job on time” has mean values of 4.61 and 4.56 of Omo and Vision Fund MFIs respectively. According to criterions of Zaidaton&Bagheri (2009), the mean values (4.61) and (4.56) fall on the response scale of "high" both in Omo and Vision Fund MFIs. So, this implies that most respondents from Vision Fund and Omo MFIs are highly interested to do their job on time. This finding agreed with Nanayakkara& Iselin (2012) that lengthens the time of processing a loan application can affect the performance in either direction positively or negatively.

As can be seen on the above table, 4.8 “I can keep my goals current and ‘catch ‘problems early” has the mean value (3.22) of Omo MFI and the highest mean value (4.80) with a standard deviation of .43746 of Vision Fund MFI. According to criterions of Zaidaton&Bagheri (2009), the mean value (3.22) falls on the response scale of "low" in Omo MFI and the mean value (4.80) rests on the response scale of "high" in Vision Fund MFI. So, this implies that respondents of Vision Fund MFI ascertained that the employees are more interested to keep their goals current and ‘catch ‘problems early. In contrast, the respondents of Omo MFI give less attention to catch problems early and keep their goals current compared with Vision Fund.

The last item, which states “I like making suggestion to improve work process”, has mean values of 3.05 and 4.60 of Omo and VF MFIs respectively. According to criterions of Zaidaton&Bagheri (2009) of table 4.3, the mean value (3.05) falls on the response scale of "low" and the mean value (4.60) rests on the response scale of "high" in Omo and VF MFI respectively. The survey found that Omo MFI not like making suggestion in order to increase work process. Contrary to this the least number of respondents from Omo MFI supported this

idea. This indicated that the employees of Omo MFI are not committed to serve customer by using innovative and creative ideas. This finding agreed with Montgomery & Perry (2011) it ensures that making suggestions are given the right focus and support, that innovation truly becomes integrated with the rest of the employee activities.

To sum up, the overall result shows that Vision Fund with the aggregate mean result (4.66) was implies that the effectiveness of employee performance better than the Omo MFI with a group mean of 3.46. This is consistent with the findings of Kohn, (1993), Powell, (1998) who stated that different incentive packages indeed work in boosting employee performance and their presence or absence can make a significance difference in employees' performance.

#### 4.3.4. Summary of comparison of employees' performance between Omo and Vision Fund MFIs

**Table 4.9** Summary of comparison of employees' performance between Omo and Vision Fund MFIs

	Omo MFI		Vision Fund MFI	
	Mean	Std. Dev.	Mean	Std. Dev.
Productivity	3.53946	.635026	4.75758	.50229
Effectiveness	3.46736	.777978	4.6685	.58932
<b>Average mean</b>	<b>3.50341</b>	<b>0.706502</b>	<b>4.71304</b>	<b>0.545805</b>

**Source: Survey result, 2020**

Based on the response of respondents on dependent variable of employee performance shows that, Vision Fund with the aggregate means result (4.71) better than the Omo MFI (3.50). This implies that the employees of Vision Fund MFI are highly perceived the incentive packages effect on employees' performance whereas the employees of Omo MFI are moderately perceived incentive packages effect on employees' performance. This implies that VFMFI employee are placed a great value on the different incentives given to them by their employers. Hence, when these incentives are commensurate with the employees' expectations, they tend to express pleasure to the management and if it is properly manage it can lead to high performance. Linking to this result, Cummings (2001) suggested that

employees should be more satisfied and productive if they prefer to work in a well healthier environment. Health environment can help to increase employee performance. In line with this, Armstrong & Taylor (2014) add incentives play an active role in pushing forward individual's capacity and moving abilities, motivating them to develop their skills and balance between organization requirements and the individual needs' which enhance the employee performance efficient and effectively.

#### **4.4 Open ended questions results**

***Q-1 what do you think the organization to increase satisfaction and productivity as yours' work within the institution?***

Majority of respondents from Vision fund MFI said that the institution distributed and managed attractive basic salary; interesting bonus and perquisite pay with compared to other similar institutions in our area. Whereas non- financial incentive packages such as employee participation and job security are sometime distributed. Thus results dissatisfaction and brings weak performance of employees. On the other hand, majority of respondents from Omo MFI replied that basic salary increment, bonus, allowances, etc. are not attractive and equitable manner. This maximizes turnover, dissatisfaction and poor performance. More than half of respondents in micro finance institutions said that they believe the institution distributing and implementing financial incentive package must be fair and equitable manner to employees are more like to exert effort on work to improve employees' performance.

***Q-2. How do you think the weaknesses and strengthen of the management over the whole distribution of incentive package in your institution to improve yours' performance?***

According to large number of respondents, the Omo MFI is doing well in the employee participation and job security. Contrary to this, others from VF MFI said that job stability and employees' participation is weak. It needs improvement in order to alleviate the employees' performance. All of the respondents from Omo and VF MFIs said that profit sharing is not completely distributed at employee level. This brings negative attitude and dissatisfaction among employees and it results poor performance at organizational level. Some respondents from Omo MFI said that the level of basic salary is "absolutely unfair" compared to VF MFI. Some respondents respond that, the basic salary and pay structure adjustment is just promise

from the board not in distribution. They believe that better salary and incentive leads to better performance. Even though their perspective reward and benefit almost all says reward, benefit and incentive program will lead the employees to better performance. There also majority of respondents from VF said that it is good but not good enough reward, benefits and incentive distribution.

***3. How do you think the organizations financial incentive package program affect your performance?***

The study come up with certain kind of responses in vision fund micro-finance institutions, to summaries them, almost all respondent said that: it have direct influences on employees' satisfaction and performance within the institution. They believe that better salary, bonus, and perquisite incentives lead to better performance and the institution revise profit sharing, stock option and other incentive packages, also few respondents said that it is high influence on employees' performance but it leads to high stress. In overall the research finding the result of the response shows that, positive effect on Vision fund micro-finance institutions but in Omo micro-finance institution most of the respondents dis-agrees about financial incentive package practices. Thus it has low employee performance, dissatisfaction, high turnover and negative effect on employee morale. In that there is a negative effect on employee performance in terms of financial incentive packages. Therefore the financial incentive package practice in Omo micro-finance institution must be revised it.

***Q-4. How do you think the organizations non-financial incentive package program affect your performance?***

The respondents come up with certain kind of responses, to summarize them, most of the respondent said that it have direct impact on their performance. They believe that better status, organizational climate, job security and employee participation incentive packages leads to better performance, in addition to that it build trust with employer. Because of it leads to psychological and physical satisfaction on employees' life span, also few respondents said that it is good but not good enough status and organizational climate incentive practice in Omo micro-finance institutions and sometimes employee participation in vision fund micro finance institutions. In overall the research finding the result of the response shows that, positive effect on both micro-finance institutions but in Omo micro-finance institution status

and organizational climate have less satisfied & the status and organizational climate incentive package practice in Omo micro-finance institution must be revised it.

#### **4.5 Inferential Analysis**

Based on inferential statistics of the survey, analysis is made in this part of the study. Inferential statistics involve the use of statistical techniques in the testing of the hypotheses and drawing inferences from the findings of a study (Baddie & Halley, 1995; Kolawole, 2001, cited in Adeyemi, 2009). Inferential statistics is finding something about a population from a sample taken from that population (Lind, Marchal, & Wathen, 2006). Based on these tools, correlation and regression analysis are used to investigate the degree (extent) and effect relationship of variables in connection with employee performance. Here follows the correlation analysis of the study.

##### **4.5.1 Analysis of Correlation Coefficient**

The following table shows correlation between variables of the study: Financial incentive, non-financial incentive and employee performance. The first two are independent variables and the rest is dependent variable.

**Table 4.10 Comparisons of correlation between financial incentive packages on employee performance in Vision Fund and OmoMFI**

Institutions	Variables of the Study → ↓		Employee performance	Basic salary	Bonus	Perquisite	Profit sharing	
	Vision Fund micro-finance institution	Employee performance	Pearson Correlation	1	.890**	.819**	.870**	.385
Sig. (2-tailed)				.000	.000	.000	.021	
N			66	66	66	66	66	
Basic salary		Pearson Correlation	.890**	1	.743**	.909**	.832**	
		Sig. (2-tailed)	.000		.000	.000	.000	
		N	66	66	66	66	66	
Bonus		Pearson Correlation	.819**	.743**	1	.763**	.676**	
		Sig. (2-tailed)	.000	.000		.000	.000	
		N	66	66	66	66	66	
Perquisite		Pearson Correlation	.870**	.909**	.763**	1	.829**	
		Sig. (2-tailed)	.000	.000	.000		.000	
		N	66	66	66	66	66	
Profit sharing		Pearson Correlation	.385**	.876**	.870**	.747**	1	
		Sig. (2-tailed)	.021	.000	.000	.000		
		N	66	66	66	66	66	
Omo micro-finance institution		Employee performance	Pearson Correlation	1	.389**	.387**	.367**	.321
			Sig. (2-tailed)		.023	.022	.025	.031
			N	76	76	76	76	76
	Basic salary	Pearson Correlation	.389**	1	.356**	.343**	.342**	
		Sig. (2-tailed)	.023		.023	.021	.021	
		N	76	76	76	76	76	
	Bonus	Pearson Correlation	.387**	.365**	1	.340**	.328**	
		Sig. (2-tailed)	.022	.025		.021	.020	
		N	76	76	76	76	76	
	Perquisite	Pearson Correlation	.367**	.386**	.370**	1	.343**	
		Sig. (2-tailed)	.025	.022	.027		.020	
		N	76	76	76	76	76	
	Profit sharing	Pearson Correlation	.321**	.332**	.356**	.363**	1	
		Sig. (2-tailed)	.031	.022	.023	.024		
		N	76	76	76	76	76	
	**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Survey Questionnaire, 2020

Table 4.10 shows that the very strong correlation (i.e., .909) between Basic salary and Perquisite pay, which is significant at the 0.01 level ( $p < 0.01$ ). According to Bhattacharjee (2012) from table 4.11, Basic salary and Perquisite pay have very strong correlation between them. The next very strong correlation .890 is seen between employee performance and Basic salary similarly there is strong correlation .876 between perquisites at 0.01 levels

In this thesis, the researcher uses Karl Pearson's coefficient of correlation (or simple correlation), because it is the most widely used method of measuring the degree of relationship between two variables. This coefficient assumes that there is linear relationship between the two variables. Moreover, the two variables are casually related which means that one of the variables is independent and the other one is dependent; and a large number of independent causes are operating in both variables so as to produce a normal distribution (Kothari, 2004). Therefore, to know the strength and type of correlation between variables, the following table is set as a rule of thumb for discussion of this thesis.

**Table 4.11 Rule of Thumb for about the Strength of Correlation of Coefficients**

Range of Coefficient	Description of Strength
$\pm .81$ to $\pm 1.00$	Very strong
$\pm .61$ to $\pm .80$	Strong
$\pm .41$ to $\pm .60$	Moderate
$\pm .21$ to $\pm .40$	Weak
$\pm .00$ to $\pm .20$	None

**Source:** Bhattacharjee (2012)

According to a rule of thumb from table 4.11, again, very strong correlation .870 is seen between profit sharing and bonus. Basic salary, perquisite pay and bonus have very strong correlation coefficient of .832, .829 and .819 respectively 0.01 levels of significance. According to a rule of thumb from table 4.11, strong correlations .763 is seen between perquisite pay and bonus at 0.01 levels (2-tailed). Between perquisite pay and profit sharing also have strong correlation which is .747 at 0.01 levels (2-tailed). The other strong correlation .743 is seen between bonus and basic salary at 0.01 levels (2-tailed). The rest strong correlation .676 is seen between bonus and profit sharing at 0.01 levels (2-tailed). However, weak correlation .385 is seen between profit sharing and employee performance at

0.021 levels ( $p > 0.01$ ). The above discussion of correlations of this study revealed those all variables in Vision Fund MFI, except profit sharing, have highest relationship with each other according to a rule of thumb from table 4.11. This high relationship implies that the test of financial incentive package in VF MFI branches have positive effect on employee performance. Therefore, it is possible to conclude that the test is statistically significant and there is a positive relationship between financial incentives and employee performance on Vision Fund MFI.

In contrary according to a rule of thumb from table 4.11, OMFI selected branches were; weak correlation .356 is seen between basic salary and bonus. Perquisite pay, bonus and profit sharing have also weak correlation coefficient of ( $r = .386$ ), ( $r = .365$ ) and ( $r = .332$ ) respectively at ( $p\text{-value} > 0.01$ ). According to a rule of thumb from table 4.11, weak correlations ( $r = .343$ ) is seen between basic salary and perquisite pay at ( $p\text{ value} > 0.01$ ). Between bonus and basic salary also have weak correlation which is .356 at ( $p\text{-value} > 0.01$ ). The other weak correlation ( $r = .342$ ) is seen between basic salary and profit sharing at ( $p\text{-value} > 0.01$ ). The rest very weak correlation ( $r = .321$ ) is seen between employee performance and profit sharing at ( $p\text{ value} > 0.01$ ). The above discussion of correlations of this study revealed those all variables in Omo MFI have weak relationship with each other according to a rule of thumb from table 4.11. This weak relationship supports that the tests of financial incentive packages have low level positive effect on employee performance.in OMFI selected branches. Therefore, it is possible to conclude that the test is statistically non- significant and there is a weak positive relationship between financial incentives and employee performance at Omo MFI.

**Table 4.12 Comparisons of correlation between non-financial incentive packages on employee performance in Vision Fund and Omo MFI**

Institutions	Variables of the Study → ↓		Employee performance	Status	Organizational climate	Job security	Employee participation	
	Vision Fund micro-finance institutions	Employee performance	Pearson Correlation	1	.442**	.435**	.420**	.436
Sig. (2-tailed)				.000	.000	.000	.000	
N			66	66	66	66	66	
Status		Pearson Correlation	.442**	1	.432**	.421**	.412**	
		Sig. (2-tailed)	.000		.000	.000	.000	
		N	66	66	66	66	66	
Organizational Climate		Pearson Correlation	.435**	.414**	1	.432**	.421**	
		Sig. (2-tailed)	.000	.000		.000	.000	
		N	66	66	66	66	66	
Job security		Pearson Correlation	.420**	.420**	.413**	1	.417**	
		Sig. (2-tailed)	.000	.000	.000		.000	
		N	66	66	66	66	66	
Employee Participation		Pearson Correlation	.436**	.430**	.432**	.425**	1	
		Sig. (2-tailed)	.000	.000	.000	.000		
		N	66	66	66	66	66	
Omo micro-finance institutions		Employee performance	Pearson Correlation	1	.424**	.430**	.735**	.763**
			Sig. (2-tailed)		.000	.000	.000	.000
			N	76	76	76	76	76
	Status	Pearson Correlation	.424**	1	.432**	.421**	.412**	
		Sig. (2-tailed)	.000		.000	.000	.000	
		N	76	76	76	76	76	
	Organizational Climate	Pearson Correlation	.430**	.436**	1	.432**	.421**	
		Sig. (2-tailed)	.000	.000		.000	.000	
		N	76	76	76	76	76	
	Job security	Pearson Correlation	.735**	.420**	.413**	1	.764**	
		Sig. (2-tailed)	.000	.000	.000		.000	
		N	76	76	76	76	76	
	Employee Participation	Pearson Correlation	.763**	.430**	.432**	.742**	1	
		Sig. (2-tailed)	.000	.000	.000	.000		
		N	76	76	76	76	76	
	**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Survey Questionnaire, 2019

According to a rule of thumb from table 4.11, again in VFMFI, moderate correlation ( $r=.432$ ) is seen between organizational climate and job security. Employee participation, job security

and organizational climate have also moderate correlation coefficient of ( $r=.430$ ,  $r=.420$  and  $r=.414$ ) respectively at 0.01 level of significance. According to a rule of thumb from table 4.11 moderate correlations ( $r=.412$ ) is seen between employee participation and status at 0.01 levels (2-tailed). Between organizational climate and employee participation also have moderate correlation which is ( $r=.432$ ) at 0.01 levels (2-tailed). The other correlation ( $r=.420$ ) is seen between status and job security at 0.01 levels (2-tailed). The rest moderate correlation ( $r=.421$ ) is seen between employee participation and organizational climate at 0.01 levels (2-tailed). The above discussion of correlations of this study revealed those all variables in Vision Fund MFI have moderate relationship with each other according to a rule of thumb from table 4.11. This moderate relationship indicates that the tests of non-financial incentive package are positive effect on employee performance in VFMFI branches. Therefore, it is possible to conclude that the test is statistically significant and a positive relationship between non-financial incentives and employee performance at the Vision Fund MFI.

In contrary according to a rule of thumb from table 4.11, again OMFI, selected branches were strong correlation ( $r=.735$ ) is seen between employee performance and job security. Job security and employee participation have also strong correlation coefficient of ( $r=.735$ ,  $r=.763$  and  $r=.764$ ) respectively at 0.01 level of significance. According to a rule of thumb from table 4.11, moderate correlations ( $r=.432$ ) is seen between job security, organizational climate and status at 0.01 levels (2-tailed). Between employee participation and status also have moderate correlation which is ( $r=.430$ ) at ( $p\text{-value} < 0.01$ ). The other moderate correlation ( $r=.420$ ) is seen between status and job security at 0.01 levels (2-tailed). The rest moderate correlation ( $r=.436$ ) is seen between status and organizational climate at 0.01 levels (2-tailed). The above discussion revealed that some variables in Omo MFI have strong correlations ( $r=.735$ ,  $r=.763$  and  $r=.764$ ) and others have moderate correlations ( $r=.436$ ,  $r=.432$ ,  $r=.430$ ,  $r=.420$ ) according to a rule of thumb from table 4.11. This moderate relationship indicates that the tests of non-financial incentive packages are positive effect on employee performance in OMFI selected branches. Therefore, we can conclude that the test is statistically significant and there is a positive relationship between non-financial incentives and employee performance on the Omo MFI.

#### 4.5.2 Multiple regression analysis

In this paper, the researcher applies multiple regression analysis. Multiple regression analysis is used by the researcher of this thesis, because, it is usually used in the research where there are two or more independent variables that are hypothesized to influence one or more dependent variables (Baker, 2006).

The regression analysis is used to see how far the dependent variable can be explained from the various independent variables. Also with a regression analysis it can be determined whether the independent variables explain a significant variation in the dependent variable, including whether a relationship exists. Regression analysis can determine how much of the variation in the dependent variable can be explained by the independent variables. That is, the strength of the relationship. In regression analysis this is measured by R Square, R<sup>2</sup>.

The dependent variable for this research thesis is employee performance whereas the two independent variables are financial incentives (basic salary, bonus, perquisite and profit sharing) and non-financial incentives (status, organizational climate, job security and employee participation) with regard to effectiveness of incentive packages on employee performance.

Table 4.13 below depicts a model summary of the regression output

**Table 4.13 Comparison of Model Summary between Vision Fund and Omo MFIs**

MFIs	Model summary	R	R Square	Adjusted R Square	Std. Error of the Estimate
Vision Fund	1	.789 <sup>a</sup>	.663	.658	.32181
Omo	1	.692 <sup>a</sup>	.483	.475	.23156
a. Predictors: (Constant) Financial incentives ( Basic salary, Bonus, Perquisite and Profit sharing) and Non-Financial incentives (Status, Organizational climate, Job security and employee participation)					
b. Dependent Variable: Employee performance					

**Source:** Survey Questionnaire, 2020

From table 18 above, “R” has a score of .789. It is a multiple correlation coefficient between dependent and independent variables of the study. “R” represents the value of the multiple

correlation coefficients between the predictors and the outcome (Field, 2005). R-square has measured the goodness of fit of the variables in explaining employee performance to independent variables financial and non-financial incentives. As clearly described in Table 18 R-square value for the regression model was 0.663, this indicates the independent variables in Vision Fund MFI explain about 66.3 percent of the variation in the effectiveness of employee performance.

The remaining 33.7 percent of the variation are explained by other variables which are not included in the model. Therefore, the effectiveness of employee performance that explained by financial and non-financial incentive packages is good in Vision Fund.

On the other hand, R-square value for the regression model was 0.483; this indicates the independent variables in OmoMFI explain about 48.3 percent of the variation in the effectiveness of employee performance. The remaining 51.7 percent of the variation are explained by other variables which are not included in the model. Therefore, the effectiveness of employee performance that explained by financial and non-financial incentive packages is poor in Omo MFI, in Wolaita zone.

Table 4.14 Multiple Regression result in financial and non-financial incentive packages on Vision Fund micro-finance institution.

Model	Unstandardized coefficients		Standardized coefficients	T	Sign
	B	Stan, Error	Beta		
Constant	.595	.149		5.049	0.000
Basic salary	.411	.103	.402	7.316	0.000
Bonus	.379	.095	.395	6.752	0.000
Profit sharing	.108	.027	.082	1.929	0.021
Perquisites	.431	.108	.424	7.716	0.000
Status	.316	.079	.273	4.968	0.000
Organizational climate	.324	.081	.281	5.114	0.000
Job security	.188	.047	.163	3.057	0.000
Employee participation	.224	.056	.192	3.494	0.000

Source; (Own survey, 2019) dependent variable “employees performance

R= .789 R- square=.663 Adjusted R square= .658 Std. Error of the estimate=.32181

The regression equation is  $y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + b_5 x_5 + b_6 x_6 + b_7 x_7 + b_8 x_8$ . When the values from the table in VFMI branches are computed, the equation becomes  $y = 0.535 + 0.402(x_1) + 0.395(x_2) + 0.082(x_3) + .424(x_4) + 0.273(x_5) + 0.281(x_6) + .163(x_7) + 0.192(x_8)$  from the equation, it was realized that incentive packages had a moderate relationship with employee performance. The correlation value was 0.595 which is considered a moderate relationship because the value falls between 0.40 and 0.60, Bhattacharjee (2012). The value was also positive indicating that, when the independent variables increase dependent variable also increases and vice versa. The R<sup>2</sup> indicates that 66.3% (0.663) of employee performance could be explaining using the independent variables.

From the analysis the co-efficient value for basic salary in the organization was 0.402. This means that all things being equal, when the other independent variables (bonus, profit sharing, perquisites, status, organizational climate, employee participation and job security) are held constant, performance would increase by 40.2% if there is 100% improvement in basic salary. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (basic salary) is making a significant unique contribution to the prediction of the dependent variable (employees performance). The study is agreed with the findings of Giancola (2011) states that people primarily work to make money and therefore, it is a good way to encourage employees. Additionally, Armstrong (2009) states that basic salary is among some of the physical needs that affects employee performance

From the analysis the co-efficient value for bonus was 0.395. This means that all things being equal, when the other independent variables (basic salary, profit sharing, perquisites, status, organizational climate, employee participation and job security) are held constant, performance would increase by 39.5% if there is 100% improvement in bonus. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (bonus) is making a significant unique contribution to the prediction of the dependent variable (employees performance). The fact that greater number of VFMI workers cherishes bonus means that they want to fulfill their higher-level needs. This is ensured with the result of bonus is a sum of money offered to an employee over and above the salary or wages as a reward for his good performance (Gomez-Mejia, 2014)

From the analysis the co-efficient value for profit sharing for work done was 0.082. This means that all things being equal, when the other independent variables ( basic salary, bonus, perquisites, status, organizational climate, employee participation and job security)) are held constant, performance would increase by 8.2%, if there is 100% improvement in profit sharing for work done. This was statistically insignificant because it has value more than 0.01 i.e. the variable profit sharing for work done) is not making any unique contribution to the prediction of employees' performance This result is not similar with the result of Luthans, (2013), argued that, profit sharing income has been to attract, motivate, and retain qualified employees as well as to serve as a reinforcement of employee performance.

From the analysis the co-efficient value for perquisites was 0.424. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, status, organizational climate, employee participation and job security)) are held constant, performance would increase by 42.4% if there is 100% improvement in perquisites. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (perquisites) is making a significant unique contribution to the prediction of the dependent variable (employees performance). Employees are of the view that perquisites are a strong factor that motivates them and should be promoted performance; when they are due to fulfill their physical needs.(Redmond, 2015). Lunenberg (2011) states that perquisites helps employees to attain their performance goals by highlighting the areas they need to improve and also by boosting their morale in areas where they are excelling

From the analysis the co-efficient value for status was 0.273. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites, organizational climate, employee participation and job security) are held constant, performance would increase by 27.3% if there is 100% improvement in status. This was statistically significant ( $0.00 < 0.05$ ) i.e. the variable (status) is making a significant unique contribution to the prediction of the dependent variable (employees performance). The study is consistent with the findings of Herzberg, (2009) who stated that non- monetary incentives such status, job security and fringe benefits if provided, it produce satisfaction.

From the analysis the co-efficient value for organizational climate for work done was 0.281. This means that all things being equal, when the other independent variables (basic salary,

bonus, profit sharing, perquisites, status, employee participation and job security)) are held constant, performance would increase by 28.1% if there is 100% improvement in organizational climate for work done. This was statistically significant ( $0.00 < 0.01$  i.e. the variable organizational climate for work done) is making any unique contribution to the prediction of employees' performance. This result linking with, Cummings (2001) suggested that employees should be more satisfied and productive if they prefer to work in a well healthier environment. Health environment can help to increase employee performance

From the analysis the co-efficient value for job security was 0.163. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites, status, organizational climate, and employee participation) are held constant, performance would increase by 16.3% if there is 100% improvement in job security. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (job security) is making a significant unique contribution to the prediction of the dependent variable (employees performance). Employees are of the view that job security is a moderate factor that motivates them and should be promoted. This result was similar with Herzberg, (2009) who stated that non-financial incentive packages are provided it, produce satisfaction and increase performance

From the analysis the co-efficient value for employee participation was 0.192. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites, status, organizational climate, and job security) are held constant, performance would increase by 19.2% if there is 100% improvement in employee participation. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (employee participation) is making a significant unique contribution to the prediction of the dependent variable (employees performance). This result is supported by Deci (2014) states that, employee participation is a wide range of advantages for achievement of goals, development of the responsibility and relationship building. Furthermore, Cole (2011) asserts that employee participation is a crucial ingredient in motivating employees to enhance their performance.

Table 4.15 Multiple Regression result on financial and non-financial incentive packages in Omo micro-finance institution

Model	Unstandardized coefficients		Standardized coefficients	T	Sign
	B	Stan, Error	Beta		
Constant	.375	.105		3.574	0.01
Basic salary	.243	.067	.303	4.786	0.000
Bonus	.123	.034	.133	2.420	0.022
Profit sharing	.102	.028	.071	2.020	0.031
Perquisites	.138	.038	.149	2.712	0.025
Status	.135	.038	.193	3.512	0.000
Organizational climate	.156	.044	.152	2.766	0.000
Job security	.294	.083	.282	5.132	0.000
Employee participation	.301	.085	.288	5.241	0.000

Source; (Own survey, 2019) dependent variable “employees performance

R= .692 R square=.483 Adjusted R square= .475 Std. Error of the estimate=.23156

The regression equation is  $y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + b_5 x_5 + b_6 x_6 + b_7 x_7 + b_8 x_8$ . When the values from the table in Omo MFI selected branches are computed, the equation becomes  $y = 0.275 + 0.303(x_1) + 0.133(x_2) + 0.071(x_3) + .149(x_4) + 0.193(x_5) + 0.152(x_6) + .282(x_7) + 0.288(x_8)$  from the equation, it was realized that incentive packages had a weak relationship with employee performance. The correlation value was 0.375 which is considered a weak relationship because the value not falls between 0.40 and 0.60 Bhattacharjee (2012). The value was positive indicating that, when the independent variables increase dependent variable less to increases and vice versa. The R<sup>2</sup> indicates that 48.3% (0.483) of employee performance could be explaining using the independent variables.

From the analysis the co-efficient value for basic salary in the organization was 0.303. This means that all things being equal, when the other independent variables (bonus, profit sharing, perquisites, status, organizational climate, employee participation and job security) are held constant, performance would increase by 30.3% if there is 100% improvement in basic salary. This was statistically significant ( $0.000 < 0.01$ ) i.e. the variable (basic salary) is making a significant unique contribution to the prediction of the dependent variable (employees performance). These results are similar to Kreitner and Ki Nicki Robbins (2016) study where

they found that, money was the crucial incentive to work motivation because it was the means by which employees could buy the numerous need-satisfying things they desired.

From the analysis the co-efficient value for bonus was 0.133. This means that all things being equal, when the other independent variables (basic salary, profit sharing, perquisites, status, organizational climate, employee participation and job security) are held constant, performance would increase by 13.3% if there is 100% improvement in bonus. This was statistically insignificant ( $0.022 > 0.01$ ) i.e. the variable (bonus) is not making a significant unique contribution to the prediction of the dependent variable (employees performance). This result is not similar with Giancola (2011) states that financial incentives are more effective when they are linked to pay for performance plans such as bonus's and commission.

From the analysis the co-efficient value for profit sharing for work done was 0.071. This means that all things being equal, when the other independent variables (basic salary, bonus, perquisites, status, organizational climate, employee participation and job security)) are held constant, performance would increase by 7.1% if there is 100% improvement in profit sharing for work done. This was statistically insignificant because it has value more than 0.01 i.e. the variable profit sharing for work done) is not making any unique contribution to the prediction of employees' performance.

From the analysis the co-efficient value for perquisites was 0.149. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, status, organizational climate, employee participation and job security)) are held constant, performance would increase by 14.9% if there is 100% improvement in perquisites. This was statistically insignificant ( $0.023 > 0.01$ ) i.e. the variable (perquisites) is not making a significant unique contribution to the prediction of the dependent variable (employees performance). Employees are of the view that perquisites is a weak factor that motivates them and should be promoted when they are due to help notto fulfill Vroom (1969) expectancy theory, that an employee will be motivated to exert a high level of effort when he/she believes that effort will lead to a good performance appraisal, followed by organization rewards such as perquisites which later satisfy personal goals.

From the analysis the co-efficient value for status was 0.193. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites,

organizational climate, employee participation and job security) are held constant, performance would increase by 19.3% if there is 100% improvement in status. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (status) is making a significant unique contribution to the prediction of the dependent variable (employees performance). The fact that greater number of Omo MFI selected branches employee, status has a significant influence on the recruitment of high level employees, motivation, productivity and employee performance (Beer and Walton, 2014).

From the analysis the co-efficient value for organizational climate for work done was 0.152. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites, status, employee participation and job security)) are held constant, performance would increase by 15.2% if there is 100% improvement in organizational climate for work done. This was statistically significant ( $0.00 < 0.01$  i.e. the variable organizational climate for work done) is making any unique contribution to the prediction of employees' performance.

From the analysis the co-efficient value for job security was 0.282. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites, status, organizational climate, and employee participation) are held constant, performance would increase by 28.2% if there is 100% improvement in job security. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (job security) is making a significant unique contribution to the prediction of the dependent variable (employees performance). This is in tandem with Lunenberg (2011) who stipulates that job security enhances commitment and performance.

From the analysis the co-efficient value for employee participation was 0.288. This means that all things being equal, when the other independent variables (basic salary, bonus, profit sharing, perquisites, status, organizational climate, and job security) are held constant, performance would increase by 28.8% if there is 100% improvement in employee participation. This was statistically significant ( $0.00 < 0.01$ ) i.e. the variable (employee participation) is making a significant unique contribution to the prediction of the dependent variable (employees performance). This implies that employee participation of Omo MFI branches in zonal area looking at 28.8% chance of being true and management must find

ways of improving to motivate its employees because the kind of employee participation that employees“ works affect their performance This result is compromised with (Hewitt, 2002) a modern forward-looking business does not keep its employees in the dark about vital decisions affecting them. It trusts them and involves them in decision making at all levels. “Command and control” is no longer an adequate model. A more open and collaborative framework will exploit the talents of all employees.

The ANOVA table 4.16 below tells about the story of how the regression equation accounts for variability in the response variable, which is the dependent variable for this thesis due to a change in the independent variables.

**Table 4.16 ANOVA (Analysis of Variance)**

ANOVA <sup>a</sup>						
Model	Source	Sum of Squares	Degree of Freedom (DF)	Mean Square	F	Sig.
1	Regression	219.982	(12)	19.635	189.596	.000 <sup>b</sup>
	Residual	15.638	142	.110		
	<b>Total</b>	235.62	(154)			

a. Dependent Variable: employee performance  
 b. Predictors: (Constant), The effectiveness of financial incentive packages (basic salary, bonus, perquisite and profit sharing) and non-financial incentives (status, organizational climate, job security and employee participation)

**Source:** Survey Questionnaire, 2020

In the above ANOVA table, 4.16, the column labeled “sum of squares” describes the variability in the employee performance value of the regression. The Regression Sum of Squares is the difference between Total Sum of Squares and Residual Sum of Squares ( $TSS - RSS = 235.62 - 15.638 = 219.982$ ). Here, each sum of squares (i.e., Regression, Residual, and Total under the source column) has a corresponding degrees of freedom (DF) associated with it. Total degrees of freedom is  $n - 1 (= (154) - 1 = (153))$ , one less than the number of observations. The Regression level of freedom for the above table 4.16, which is the number of independent variables; financial incentives (basic salary, bonus, perquisite and profit sharing) and non-financial incentives (status, organizational climate, job security and employee participation) of this thesis. The residual sum of squares (residual for leftover) is

sometimes known in the literatures as Error Sum of Squares is that part still cannot be accounted for after the regression model is fitted. It has 142 degrees of freedom (= (154) - (12)) for this research paper.

The mean squares are the sums of squares divided by the corresponding degrees of freedom. The regression model has a mean square of 19.635 (=235.62/12), and the residual's mean square is .110 (=15.638/142). In general, the above ANOVA table shows a strong relationship between the dependent and independent variables of the study with F-statistic or F-ratio of 189.596 for the overall analysis, and is worth-mentioning that the F-value is highly significant (as  $p=.000 < .01$ ).

**Table 4.17 Coefficients' Table on Multiple Regression of the Research Model**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Co linearity Statistics	
		$\beta$	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.211	.149		1.414	.160		
	The contribution of Financial incentive	.302	.083	.326	3.638	.000	.114	8.800
	The contribution of Non-financial incentive	.233	.066	.227	3.514	.021	.218	4.577
a. Dependent Variable: Employee performance								

**Source:** Survey result, 2020.

In table 4.17 above, the regression results have indicated that the impact of two independent variables on employee performance in the study area. In the study, it has been epitomized that out of the two independent variables; financial incentive has significantly and positively influenced employee performance at 1 percent level of significance ( $\beta=.302, p=.000$ ) in Visio Fund MFI. Whereas, financial incentive packages except basic salary has insignificant and weakly influenced employee performance ( $\beta=.233, p=.021$ ) in Omo MFI. From the employees point of view financial incentive is the most important independent variable in the contribution of employee performance in the study area. Therefore, the Beta values indicate that the impact of the financial incentive factor on employee performance is higher than those of other factors. While a rise in the financial incentive factor by 1 standard deviation will increase employee performance by 0.326, T values also indicate that the strongest effect comes from the financial incentive ( $t= 3.638$ ) factor. Whereas, the remaining independent

variables i.e. non-financial incentive which has influenced employee performance ( $\beta = .233$ ,  $p = .021$ ) at 1 percent significant level.

The above findings of the hypotheses clearly reveals that higher the level of incentive packages; better will be employees' performance. The results also highlights that not only employees' performance was increasing but also their commitment and loyalty towards their organizations was also growing. This study revealed that both financial and non-financial incentive packages had effect on employees' performance. This has increased their job satisfaction level which has led towards improvement in their responsibility towards their organizations, less turnover, loyalty, employees' retention towards their jobs and their efficiency has progressed in their organizational setup. This had led to considerable decrease in turnover benefitting the organizations in successfully attaining their targets and long term objectives. whereasthefinding showed amongst others that there is positive correlation between incentive and employee performance, employees are largely dissatisfied with the incentive packages offered by Omo MFI selected branches and that except basic salary most of financial incentive packages are not the most important determinants of employees performance in Omo MFI.

Therefore, the researcher has found that Omo MFI shall rework on the contribution of incentive package mechanisms particularly in financial incentive dimension to improve employee performance since all financial incentive packages required to ensure the productivity of the entire organization.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AN RECOMMENDATIONS

#### 5.1 Introduction

The main focus of this study was to investigate and compare the effect of incentive packages on employee performance at the selected branches of MFIs in Wolaita zone. In this chapter, the summary of major findings of the study, the conclusion drawn based upon the findings, and recommendations are provided. The study attempted to compare the effects of incentive packages on employee's performance in selected branches of MFIs, focusing on Omo and Vision Fund MFIs.

#### 5.2 Summary of major Findings

The main objectives were to investigate comparatively the effect of incentive package on employee performance, to determine the extent of incentive package distribution, .to examines the effect of financial incentive packages on employee performance, to determine the effect of non-financial incentive packages on employee performance and to examine the relationship between incentive packages and employee performance in selected branches of MFIs in wolaitazone..Generally, descriptive, correlation, multiple regressions analysis and ANOVA were performed in order to conduct the research analysis.

- ❖ The results in the data gathering tools would indicate that majority of the respondents 77.46 % of the sample size were male while 22.54 % were female, which implies that the population of male respondent is higher than female. 18-25years were 2.1%, 26-30years were 35.2%, and 31-35years were 27.4 % of the respondents thus (64.7%) were less than 35 years. Therefore they still have many years to retirement and more productive age, thus they need to be motivated in order to improve their performance. Meanwhile, about 78.9 % of the respondents have monthly income were 5,001-10,000. Moreover, 93.6 % of the respondents were married, regarding the level of educations; 78.9% of the respondents were first degree holders which make the respondents can easily understand the research questions. Furthermore, majority of the respondents 42.3 % were customer service officers, 47.9 % of the respondents were a service year between 7-9 years and 38.7 % of the respondentswere a service year

between 4-6 years. This implies that the employees easily understand the organizational climate.

- ❖ In addition to this, the result indicates that financial incentive packages such as the attractiveness and consistency level of basic salary (92.1%) and bonus (93.4%) sometimes practiced in Omo MFI. But perquisite pay never % (94.7%) practiced, whereas basic salary, bonus and perquisites (75.8%, 83.3 and 81.8%) respectively always practiced in Vision Fund MFI. On the other hand, non-financial incentives particularly status (68.2%) and organizational climate (69.7%) are usually practiced in Vision Fund MFI. Whereas, non-financial incentives like job security (72.4%) and employee participation (86.8%) are always practiced in Omo MFI. It also revealed that profit sharing never (100%) practiced at the employee level in both Omo and Vision Fund MFIs.
- ❖ The findings of the study also show that the effect of financial incentives on employee performance varies amongst the employees of Vision Fund and Omo MFIs. With a higher mean rank, Vision Fund MFI Employees basic salary, bonus and perquisite pay respectively (4.40), (4.27) and (4.53) were implies that the incentive packages are attractive, appreciated by employees and overall highly affected employee performance (i.e. better to satisfy the employees, More motivated to work hard, ,reduce turnover, build employee morale, improve creativity and innovation and increase employee performance) whereas Omo MFI Employees (2.35), (1.07) and (2.49) respectively is implies that dissatisfied, high employee turnover, increases absenteeism and poor employee performance. With the least mean rank both Omo and Vision Fund MFIs employees towards profit sharing (1.34) and (1.04) were found to be unsatisfactorily affect the employee's performance.
- ❖ On the other hand, the effect of non-financial incentives on employee performance varies among the employees of Omo and Vision Fund MFIs. With a higher mean rank, Omo MFI employee's job security and employee participation respectively with a mean value (3.84) and (3.91) were found to be highly affected employee performance ( i.e. build employee engagement, increase employee belongingness and increase employee performance) as compared to Vision Fund MFI (3.23) and (3.48). Besides, Vision Fund MFI employees towards status and organizational climate respectively

(3.44) and (3.79) were found to be moderately affected employee performance (i.e., increase trust with employer, reduce supervision costs, increase a sense of responsibility and accountability, employee happy to work and improve employee performance) as compared to Omo MFI (3.06) and (2.92) were found to be unsatisfactory.

- ❖ Therefore Vision Fund MFI financial incentives have strong ( $r=.776$ ;  $p<0.01$ ) relationship with employee performance and non-financial incentives have moderate ( $r=.413$ ;  $p< 0.01$ ) relationship with employee performance. Whereas, Omo MFI financial incentives have weak ( $r=.385$ ;  $p>0.01$ ) relationship with employee performance and non-financial incentives have moderate ( $r=.465$ ;  $p<0.01$ ) relationship with employee performance.
- ❖ There is high relationship between financial incentives and employee performance as it explained that 66.3% of the variation in the effectiveness of employee performance in VFMFI, whereas in OMFI explained about 48.3 percent of the variation in the effectiveness of employee performance. The remaining 33.7 percent and 51.7 percent of the variation in VFMFI and OMFI respectively are explained by other variables which are not included in the model. Therefore, the effectiveness of employee performance that explained by financial and non-financial incentive packages is good in Vision Fund. Whereas weak in OMFI.

Finally in the study, it has been epitomized that out of the two independent variables; financial incentive has significantly and positively influenced employee performance at 1 percent level of significance ( $\beta=.302$ ,  $p= .000$ ) in Vision Fund MFI. Whereas, financial incentive packages except basic salary have insignificant and weakly influence employee performance ( $\beta= .233$ ,  $p=.021$ ) in Omo MFI. From the employees point of view financial and non-financial incentive packages except profit sharing are the most important independent variable in the contribution of employee performance in VFMFI branches, whereas most of financial incentive packages are weakly important and non-financial incentive packages are moderately important independent variable in the contribution of employee performance in OMFI selected branches,.

### 5.3 Conclusions

On the basis of the findings it can be concluded that incentive packages play a major role in enhancing performance in an institution.. Incentive packages have a positive effect on employee performance on mind that the practice of financial incentive packages such as level of basic salary, bonus and perquisite pay are not frequently practiced in Omo MFI compared with Vision Fund. On the other hand, non-financial incentives are moderately practiced in both Omo and Vision Fund MFIs. It can be also generalize that profit sharing never practiced at the employee level in both Omo and Vision Fund MFIs. In Omo MFI, the level of basic salary and other financial incentive packages does not consider the current performance of employees compared with Vision Fund MFI.

The overall result shows that Vision Fund with a group means of 3.63 provide better financial incentive than the Omo MFI with a group mean of 1.74. The study is agreed with the findings of Armstrong (2009) described that, financial incentives provided by employers in the form of pay will help to attract and retain employees and for limited periods, may increase effort and minimize dissatisfaction. The overall result shows that in both Vision Fund and Omo MFI towards non-financial incentive packages moderately affect employee performance with a group mean (3.48) and (3.43) respectively. It can also be concluded from the findings, financial and non-financial incentive packages in VFMMFI employees should have increase commitment, improve morale and trust with employers, reduce turnover, absenteeism's and supervision cost and enhance better employee performance. Whereas the financial incentive packages within OMFI employees should have dissatisfied, less to build morale and commitment, constant employee turnover and absenteeism, poor performance and negative organizational images are witnessed

Based on the results of correlations of coefficient, this study conclude that Vision Fund MFI financial incentives have strong ( $r=.776$ ;  $p<0.01$ ) relationship with employee's performance and non-financial incentives have moderate ( $r=.413$ ;  $p<0.01$ ) relationship with employee's performance. Whereas, Omo MFI selected branches financial incentivepackages have weak ( $r=.385$ ;  $p>0.01$ ) relationship with employee performance and non-financial incentive packages have moderate ( $r=.465$ ;  $p<0.01$ ) relationship with employee performance.

As results clearly indicated that R-square value for the regression model was 0.663 and 0.483 in VFMMFI and OMFI selected branches respectively, this indicates the independent variables

in this study explain about 66.3 and 48.3 percent of the variation in the effectiveness of employee performance in VFMI and OMFI selected branches respectively. The remaining 33.7 and 48.7 percent of the variation are explained by other variables which are not included in the model. Therefore, the effectiveness of employee performance that explained by financial and non-financial incentive packages is good in Vision Fund and poor in Omo MFIs in the study area.

There for the researcher concludes from the findings that the effect of incentive packages on employee performance is very important to the institutions. In turn, human performance of any members of employee is improved by designing, implementing, reviewing and adjusting the incentive package systems that are appropriate and satisfying.

#### **5.4 Recommendations**

This study comparatively investigates the effect of incentives packages on employees' performance in selected branches of MFIs in Wolaita zone, Southern Ethiopia. Specifically, Omo MFI employees compared with Vision Fund MFI employees they tend to express displeasure to the management of incentive packages and it is not properly practiced that can lead to poor performance and constant employee turnover. It is therefore the following recommendations are proposed to improve financial and non-financial incentives package offering to their employees in order to get the best outcomes of them.

- The study recommended that the management of Omo MFI need to develop, nurture and maintain attractive forms of incentive packages particularly financial incentive package are key in employee incentive packages, non-financial incentive packages are supplement the same to maximize job productivity, quality, quantity and effectiveness. The institution should come up with long term incentive package strategy as want to satisfied employees.
- The management of both Omo and Vision Fund MFIs need to make strong efforts to ensure a congenial work environment, recognize and reward hardworking staff to encourage and motivate employees to be satisfied in their job which will lead to a significant increase in their performance.
- The management board of Omo MFI needs to adjust salary difference for the same positions in different similar financial institutions.

- Management of MFIs need to develop additional financial incentive packages such as loan benefit for house and vehicle and it is advisable to ensure profit sharing for employees in order to motivate them more to excel.
- Moreover, this study recommends that OMFI should make policies and strategies of incentive package provision that aids in ensuring that employees are adequately motivated on the job. This will in turn enhance or boost employee morale resulting in a competitive edge through higher commitment levels, employee engagement, lower turnover and improved performance and productivity levels,i.e. as it supports the achievement of business objectives.
- Managers of MFIs should also provide the employees with more organizational freedom and respective autonomy. Employees should participate in decision making so that they feel that their opinions are important for the performance of the institution.

Finally, managers need to ensure that incentives distributed to employees are dynamic and constantly re-evaluated to ensure their transparency and fairness to all employees so as to continue to have their dedication, commitment and loyalty, which is the major drive for keeping contented and satisfied employees, thus avoiding turnover but ensuring retention of vibrant employees.

### **5.5. Further areas of Study**

The direct focus of this study was selected branches of OMFI and total branches of Vision fund MFI and its employees but the study not emphasized the customers, to evaluate their satisfaction on service delivery of the institutions. The results were limited with regard to generalizations, and therefore are not a complete representation of OMF the entire institutions. Considering the numerous complex issues that surround the topic of a comparative study on the effect of incentive packages on employee's performance that have not been addressed by this study, additional research should be carried out in order to improve the current study and increase information and understanding of a comparative study on the effect of incentive packages on employee's performance in order to determine their effectiveness when they are practiced by the corporations or any other institutions.

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## **APPENDIX I**

**WOLKITE UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGEMENT**

Questionnaire for organizational employee's

Dear sir/madam

This questionnaire is prepared by a graduate student of Wolkite University with the aim of gathering data on a research topic “a comparative study on the effect of incentive packages on employees’ performance: in case of selected branches of micro-finance institutions in Wolaita Zone.” as a partial fulfillment of the requirements for the degree of Masters of Business Administration in Management (MBA) at Wolkite University. The researcher would like to thank you in advance for your kind response by allotting your precious time in filling the questionnaire. As your responses have a great impact on the study findings you are kindly requested to provide your genuine responses freely without mentioning your name. The information provided is to be used only for the sake of this study.

**Your assistance and cooperation will be highly appreciated.**

**Yours Sincerely,**

**Alemayehu Galcha**

**Instructions:**  **No need of writing your name**

**For Likert scale type statement questions indicate**

**Your answers with a check mark (X) in the appropriate block and**

**Open end questionnaire write your answers on space provided.**

**PART A:** Demographics characteristics of the respondents (tick one of them)

- 1/ Gender: Male  Female
- 2/ Marital status: single  married  Divorced  others
- 3/ Age Group: 18- 30  31-40  41-50  51 and above
- 4/ Division /work unit/: auditors  customer service officer  Supportive staff  Finance /Accountant/  other (please state).....
- 5/ Tenure: How long have you worked at microfinance institution in branches?
  - A/ Less than 1 Year
  - B/ 1-3 Years
  - C/ 4-6 Years
  - D/ 7-9 Years
  - E/ 9 Years and above
- 6/ Education back ground (a) Certificate  (b) Diploma   
(c) Bachelor's Degree  (d) Master's Degree  (e) PHD
- 7/ Indicate your basic salary range (tick one). (a) Below 5,000  (b) 5,001 - 10,000  (c) 10,001-20,000

**PART B:** The fairness and consistency of incentive package distribution and the effect of incentive packages on employee Performance.

1. The following questions are concerned about the fairness and consistency of incentive packages which distributed with in micro- finance institutions.

Please indicate your answer on always (5) usual (4) sometimes (3) rarely (2) and never (1) (Thick on one of them)

How doestheincentive packages are fairly and consistently distributed in your institutions?

No	Question items	Rating scale				
		Always (5)	Usual (4)	Sometimes (3)	Rarely (2)	Never (1)
1	Basic salary					
2	Bonus					
3	Profit sharing					
4	Perquisites					
5	Status					
6	Organizational climates					
7	Job security					
8	Employee participations					

**2 The incentive packages have significant effect on employee performance.**

**The following statements describe the influence of financial and non-financial incentives on employee performance.**

You are asked to indicate the extent to which you agree or disagree with each statement using 5 Likert scale. [5=Strongly Agree; (SA), 4=Agree; (A), 3=Neutral; (N), 2=Disagree ;( D) Or 1=Strongly Disagree; (SD)]. Please mark to indicate the extent to which you agree or disagree with the following statements. (Mark tick on one option)

Do you agree with the following are important to increase employee performance within the organization?

.NO	Question items	Rating scale					
		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	
	<b>Financial incentive packages</b>	1	2	3	4	5	
2.1,1	I am an employee of this institution I am satisfied with my salary that I have.						
2.2,2	Pay level set on the basis of job and on the market scarcity not on the individual,						
2.1,3	Salary increment is based on the performance of employee during the year.						
2.1,4	Basic salary in my organization based on qualification and performance						
2.2,1	Bonuses are awarded to the employees performing well.						
2.2,2	Bonuses reflect their contributions to employees' effectiveness are commonplace.						
2,2,3	Bonuses can Rewarded high level of achieving employees						
2.2,4	Bonuses incentive promotes innovation and creative problem solving.						
2.3,1	Profit sharing pay creates a greater sense of responsibility of the job on the part of employee						

2.3.2	Profit sharing stimulates the employee to work harder than what he/she usually does.					
2.3.3	Profit sharing incentives improves employees' performance by attracting qualified staff.					
2.3.4	Profit sharing incentive package has a significant role on the retention of talents.					
2.4.1	Perquisite pay just thank employees for doing their work well					
2.4.2	Perquisites are given for special efforts in job performance.					
2.4.3	Perquisites improve overall performance and employee engagement.					
2.4.4	Perquisite pays are attractive and appreciated by employees					
	<b>Non-financial incentive packages</b>					
2.5.1	Status induces an employees' willing to exert extra effort to work.					
2.5.2	Seniority pay can reduce supervision costs.					
2.5.3	In status employees committed to perform top level.					
2.5.4	Seniority pay promotes self-esteem within an individual's employees'.					
2.6.1	My organizational climate plays an important role in maintaining great work and great relationships.					
2.6.2	The organizational climate reduces employee turnover.					
2.6.3	The organizational climate has positive effect on employee performance.					
2.6.4	The organizational climate of the institution motivates innovation					
2.7.1	Job security can help to Increase Productivity					
2.7.2	I believes that the job is secure, then I work hard within the organizations					
2.7.3	I am not worried about the future , thus work with more enthusiasm					

2.7.4	Job security builds trust with employers					
2.8.1	Employee participation improve the work-flow and work methods					
2.8.2	Employee participation increases the attitude of responsibility and accountability.					
2.8.3	Employee participations keep employees happy to work.					
2.8.4	Employees' involved in planning and goal setting to reduce absenteeism.					

**Part C:** You are expected to put sign on the following are intended to establish the level of **Employee performance** in your institution achieves in each perspective Where: 1= strongly disagree/S.D./ 2= disagree /D. / 3= don't know/not sure /N/ 4= agree /A 5=strongly agree /S.A.(Mark tick on one option)

**Do you agree with the following those are done in yours' institution?**

N O	Question items	Rating scale					
		Strongly 1	Disagree 2	Disagree 3	Neutral. 4	Agree 5	Strongly Agree
	<b>Employee productivity questions</b>						
1	I believe that the quality of work improves overtime, in order to increase the productivity.						
.2	There is the quality of efficient service delivery to increased customer satisfaction, it helps to increase the number of new customer's overtime.						
3	I am always having the sense of what to do and when to do.						
4	I am eager to learn on ways of making them salves more productive.						
5	I can to identify and give top attention to top priorities						
	<b>Employee effectiveness questions</b>						
6	I am actively involved in making decisions, goal setting, and problem						

	solving.					
7	I am always improved customer satisfaction, in order to increase loyal customer over time.					
8	I am more interested to solve customer complain without supervisor on the first contact.					
9	I am actively providing the service to increases the number of voluntary saver overtime.					
10	I am always promoting innovation and creation on the process of service giving.					

**Part D: Open end questionnaire for organizational employees**

**Explain (write) your answers on space provided bellow.**

1. What do you think that the organization to provide consistently and fairly with increases your performance within the institution? -----  
-----  
-----  
-----

2. How do you think about the weaknesses and strengthen of your organizations interns of the distribution of incentive package to improve your performance? -----  
-----  
-----

3. How do you think about financial incentive package affects your performance?  
-----  
-----  
-----

4 How do you think about non-financial incentive package affects your performance?  
-----

Appendix II:

**Inferential test results**

**within Omo MFI**

	N	Minimum	Maximum	Mean	Std. Deviation
I am employee of the institution I am satisfied on pays of salary that I have	76	1.00	5.00	2.7105	1.09320
Pay level set on the basis of job and market scarcity not on the individual	76	1.00	3.00	1.6053	.69434
Salary increment is based on the performance of employee during the year	76	1.00	5.00	3.6579	1.06524
Basic salary in my organization based on qualification and performance	76	1.00	3.00	1.4342	.63949
Bonuses are leads to an employee are performing well.	76	1.00	3.00	1.1053	.41885
Bonuses reflect their contributions to employees' effectiveness are common-place.	76	1.00	3.00	1.1316	.44248
Bonuses can Rewarded high level of achieving employees	76	1.00	2.00	1.0263	.16114
Bonus incentive promotes innovation and creative problem solving	76	1.00	3.00	1.0526	.27784

Profit sharing pay creates a greater sense of responsibility of the job on the part of employee	76	1.00	2.00	1.0132	.11471
Profit sharing stimulates the employee to works harder than what he/she usually does	76	1.00	3.00	1.0526	.32227
Profit sharing provision must be fair in my institution	76	1.00	2.00	1.0132	.11471
Profit sharing incentive to improve employees' performance by retaining qualified staffs	76	1.00	3.00	1.1184	.43103
Perquisites pay just general celebration for good employees' performance	76	1.00	4.00	2.5395	.80731
Perquisite pay offering to employees, it helps to deliver better earning and retention.	76	1.00	4.00	2.1842	.87499
Perquisite pay tied to build employee engagement	76	1.00	4.00	2.3553	.91948
Perquisite pay initiates an employees' for greatest work and responsibility	76	1.00	4.00	2.9079	.43750

non-financial incentive packages	N	Minimum	Maximum	Mean	Std. Deviation
Status pay induces an employees' willing to exert extra effort to work.	76	2.00	4.00	2.9868	.57720
Status leads the greater productivity goals and earning	76	1.00	4.00	2.5000	.87178
In status employees committed to perform top level	76	1.00	4.00	1.8553	1.10398
Seniority pay can reduce supervision costs.	76	1.00	5.00	2.1579	1.25489
.My organizational climate plays an important role in maintaining better work and relationship b/n employees	76	1.00	5.00	2.6974	1.38583
Mutual organizational climates helps to reduce employees' turnover	76	1.00	4.00	2.8684	1.04998
Organizational climates have positive effect on employees' performance	76	2.00	5.00	3.3158	.89756
Mutual organizational climates leads to enhance innovation	76	1.00	5.00	2.8158	.97585
Job security can helps to Increase Productivity.	76	3.00	5.00	4.4690	.82685.
I believe that the job is secure then I work hard within the organizations	76	3.00	4.00	3.8182	.83958
I am not worried about the future, thus work with more enthusiasm	76	3.00	5.00	3.3158	.89756
Job security build trust with employers	76	2.00	5.00	3.7567	.92919.
Employee participation improves the work-flow and work methods	76	2.00	5.00	3.7763	.87329
Employee participation to enhance responsibility and accountability	76	3.00	5.00	4.4697	.82685.

Employees participation keeps happy to work	76	1.00	5.00	3.2368	1.08158
Employees' involved in planning and goal setting to reduce absenteeism	76	3.00	5.00	4.1515	.98046.

**Within Vision Fund MFI**

	N	Minimum	Maximum	Mean	Std. Deviation
I am employee of the institution I am satisfied on pays of salary that I have	66	2.00	5.00	4.2424	.94561
Pay level set on the basis of job and market scarcity not on the individual	66	3.00	5.00	4.3485	.73364
Salary increment is based on the performance of employee during the year	66	3.00	5.00	4.5758	.60918
Basic salary in my organization based on qualification and performance	66	3.00	5.00	4.4394	.74687
Bonuses are leads to an employee are performing well	66	3.00	5.00	4.2727	.79509
Bonuses reflect their contributions to employees' effectiveness are common-place.	66	3.00	5.00	4.4848	.61375
Bonuses can Rewarded high level of achieving employees	66	3.00	5.00	4.6970	.60688
Bonus incentive promotes innovation and creative problem solving	66	3.00	5.00	3.6667	.86528

Profit sharing pay creates a greater sense of responsibility of the job on the part of employee	66	1.00	5.00	2.3030	1.25232
Profit sharing stimulates the employee to works harder than what he/she usually does	66	1.00	5.00	2.6212	1.21231
Profit sharing provision must be fair in my institution	66	1.00	5.00	3.0606	.65348
Profit sharing incentive to improve employees' performance by retaining qualified staffs.	66	3.00	5.00	3.8030	.82685
Perquisites pay just general celebration for good employees' performance	66	3.00	5.00	4.6061	.67662
Perquisite pay offering to employees, it helps to deliver better earning and retention	66	3.00	5.00	4.3636	.71546
Perquisite pay tied to build employee engagement	66	4.00	5.00	4.9091	.28968
Perquisite pay initiates an employees' for greatest work and responsibility	66	2.00	5.00	4.2424	.80500

**within Vision Fund MFI**

<b>Variables on Non-Financial Incentive Packages</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Status pay induces an employees' willing to exert extra effort to work	66	2.00	4.00	3.3684	68977.

Status leads the greater productivity goals and earning	66	2.00	5.00	3.7576	.92919
In status employees committed to per-form top level	66	1.00	5.00	3.323	1.11401
Seniority pay can reduce supervision costs.	66	1.00	5.00	3.3182	1.19175
My organizational climate plays an important role in maintaining better work and relationship b/n employees.	66	3.00	5.00	4.0909	.81764
Mutual organizational climates helps to reduce employees' turnover	66	2.00	5.00	3.9394	.89234
.Organizational climates have positive effect on employees' performance.	66	3.00	5.00	3.8182	.83958
Mutual organizational climates leads to enhance innovation	66	2.00	4.00	3.3158	.89756
Job security can helps to Increase Productivity	66	2.00	5.00	3.268	1.08158
I believe that the job is secure then I work hard within the organizations	66	2.00	5.00	3.2576	1.15440
I am not worried about the future, thus work with more enthusiasm	66	1.00	5.00	3.3182	1.08355
Job security build trust with employers	66	2.00	5.00	3.0979	56986
Employee participation improves the work-flow and work methods	66	3.00	5.00	4.0303	.80326
Employee participation to enhance responsibility and accountability	66	2.00	5.00	3.6818	.87984

Employees participation keeps happy to work	66	2.00	5.00	3.2763	50593
Employees' involved in planning and goal setting to reduce absenteeism.	66	1.00	5.00	2.9211	..60582.

**Employee performance in Omo MFI**

	N	Minimum	Maximum	Mean	Std. Deviation
I believe that the quality of work improves overtime, in order to increase the productivity.	76	3.00	5.00	3.1263	.55015
There is quality of efficient service delivery to increased customer satisfaction, it helps to increase the number of new customer's overtime	76	3.00	5.00	3.2289	.61274
I am always having the sense of what to do and when to do.	76	3.00	5.00	3.3895	.79842
I am eager to learn on ways of making them salves more productive	76	3.00	5.00	4.8947	.34944
I can to identify and give top attention to top priorities.	76	3.00	5.00	3.0579	.86438
I am actively involved in making decisions, goal setting, and problem solving.	76	3.00	5.00	3.0658	.81806

I am always improved customer satisfaction, in order to increase loyal customer over time.	76	3.00	5.00	3.3658	.91806
I am more interested to solve customer complain without supervisor on the first contact.	76	3.00	5.00	4.6184	.67265
I am actively providing the service to increases the number of voluntary saver overtime.	76	2.00	5.00	3.2289	.61274
I am always promoting innovation and creation on the process of service giving.	76	2.00	4.00	3.0579	.86438

**Employee performance in Vision Fund MFI**

	N	Minimum	Maximum	Mean	Std. Deviation
I believe that the quality of work improves overtime, in order to increase the productivity.	66	3.00	5.00	4.7424	.47428
There is quality of efficient service delivery to increased customer satisfaction, it helps to increase the number of new customer's overtime	66	3.00	5.00	4.8030	.43746
I am always having the sense of what to do and when to do.	66	3.00	5.00	4.7576	.52800

I am eager to learn on ways of making them selves more productive	66	3.00	5.00	4.8788	.37273
I can to identify and give top attention to top priorities.	66	3.00	5.00	4.6061	.69898
I am actively involved in making decisions, goal setting, and problem solving.	66	3.00	5.00	4.5000	.74936
I am always improved customer satisfaction, in order to increase loyal customer over time.	66	3.00	5.00	4.5000	.74936
I am more interested to solve customer complain without supervisor on the first contact.	66	3.00	5.00	4.5606	.70446
I am actively providing the service to increases the number of voluntary saver overtime.	66	3.00	5,00	4.8030	.43746
I am always promoting innovation and creation on the process of service giving.	66	3.00	5.00	4.6061	.69898



