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**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**SCHOOL OF COMMERCE**

**ASSESSMENT OF EMPLOYEES' PERCEPTION TOWARDS OF  
COMPENSATION AND BENEFIT POLICY**

***THE CASE OF DASHEN BANK SC.***

**By**

**Behailu Fantaye**

**A PROJECT WORK SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR THE AWARD OF MASTER'S DEGREE OF BUSINESS LEADERSHIP**

**Advisor:**

**Wubshet Bekalu (PhD)**

**September, 2021**

**Addis Ababa, Ethiopia**

## **DECLARATION**

I, the undersigned have carried out this research project work on the topic entitled **“Assessment of Employees perception towards of compensation and Benefit Policy in the Case of Dashen Bank Sc”** under the guidance of Wubshet Bekalu (PhD). All sources of materials used for this project have been duly acknowledged, and I further confirm that the study has not been submitted either in part or in full to any other higher learning institution for the purpose of awarding any degree.

**Name:** Behailu Fantaye

**Signature:** \_\_\_\_\_

**September, 2021**

## **LETTER OF CERTIFICATION**

This is to certify that **Behailu Fanatye** has carried out his project work on the topic of “**Assessment of Employees perception towards of compensation and Benefit Policy in the Case of Dashen Bank Sc**” under my supervision. This work is original in its nature and it is suitable for Submission in partial fulfillment of the requirement for the award of Masters Degree in Business Leadership (MBL).

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**WubshetBekalu (PhD)**  
**Advisor**

**ADDIS ABABA UNIVERSITY**  
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**BY**  
**BEHAILU FANTAYE**

**APPROVAL SHEET**

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## ABSTRACT

*This project paper studied employees' perception towards of compensation and benefit schemes, the case of Dashen Bank S.C in Addis Ababa. The main objective of this research is to examine what looks like the current compensation and benefit scheme of Dashen bank, to what extent the compensation and benefit scheme updated and communicated periodically to employees, to what extent the bank offered compensation and benefit schemes based on employee performance, and to what extent the compensation and benefit scheme satisfy the criteria of fairness based on employees' perception. And after identifying the gaps to propose possible solution for the bank that benefited to retain its key employees in the future. The research was conducted on 875 employees of south Addis District Office and 41 branches under south Addis District Office by selecting 274 as a sample from the population obtained by the formula Yaro Yamane (1969). Data was collected through questionnaires from 261 respondents and interview from human resource work unit of the district office. Data analysis was done using descriptive statistics like tables, frequency, charts and percentage, in order to present the perception of the respondents. Findings showed that employees perceived the current compensation and benefit that Dashen bank has been working are inadequate when compared to banking industry and employees are not participating in compensation and benefits decision making and compensation and benefit Schemes do not depend on individual performance rather performance of the work unit. Moreover, the bank is inefficient to update and communicated periodically to employees. It was recommended that the compensation and benefit Schemes should be revised periodically; taking into account the banking industry, the nature of the job and the employees' desire and needs beside to this, adequate compensation and benefits has to be provided to encourage employees performance and to retain competent employees.*

**Key Words:** Compensation, Benefit scheme, Employees perception, Dashen Bank

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# **CHAPTER ONE**

## **1. INTRODUCTION**

### **1.1. BACKGROUND OF THE STUDY**

Compensation includes the entire range of the total cash and non-cash payments that organizations give to employees in exchange for the work they do both the current and deferred; it also encompass many types of payments hourly or salary wages and benefits base. Compensation refers to all forms of pay or rewards necessity going to employees and arising from their employment (Dessler, 2020). One of the basic reasons that people seek employment is that the compensation received from work. In addition to this, compensation is one of the most important Human Resource Management functions and comprises a significant portion of organization cash out flow. As many financial statements have shown that compensation took the major part cash out flow of an organizations especially for service organization. It may be the major instrument used to attract and retain employees as well as way to motivate employees towards more effective performance (Ivancevich and Glueck, 1989).

Currently, there are more than fifteen private and one government banks operate in Ethiopia those have been competing in branch expansion, in technology and competent employee recruitment. After the reforms comes in Ethiopia which is the past three years, there are also many under formation private banks that equivalent or more than the existing commercial banks. Following this, there may be significant movement of individuals from one bank to another or out of banking industry. Staff turnover takes place at all levels,

driven by the desire to improve earnings and to move from rural towards urban areas. Hence, constant staff turnover has negative impact on an organization's capacity to operate efficiently and to manage long-term planning and development. To overcome this problem, attempt is being made to design compensation and benefit package system that fit with general standards working environment, competitive remuneration, and reward system integrated with good organization, shared values, and beliefs of their organization that can attract, retain and motivate the desired man power. Each bank has its own compensation and benefit schemes as attractive as possible and to be competent in the working environment.

In most cases, employees are willing and cooperative to do their job to the best of their abilities, if they believe that compensation and benefit schemes are relatively equitable to performance that they are exert. In other words, compensation and benefit schemes affect employees' decision to stay or leave an organization, to work efficiently and acknowledge additional responsibility (Bratton & Gold, 1995). The value employees give to the compensation and benefit schemes have an influence on human resources outcomes namely, performance, productivity, satisfaction, retention, and attraction.

This is therefore; I have been interested to know the perception of employees' towards the current Compensation and Benefit Schemes in Dashen bank sc. I have tried to see previous studies regarding this topic; I found that studies are focused on the relationship between Compensation and other Human Resources outcomes; like Satisfaction, Productivity, Performance, Attendance, Retention, Competitiveness and Motivation. Effective Compensation administration is desirable in an effort to increase employees' satisfaction. In addition, Satisfaction with pay is important because as many

researchers have found, if pay satisfaction is low and job satisfaction is low. Consequently, absenteeism and turnover will be higher and more costly. If pay is relatively good to performance the employees perform a higher quality and quantity of work (Ivancevich and Glueck, 1998).

This research is designed to assess the Employees' Perception towards the current Compensation & Benefit Schemes in Dashen bank sc employees found at South Addis district Office and branches under South Addis district. Because the Compensation Strategy is same throughout the organization, data collected from employees is also intended to evaluate the degree to which the existing compensation and benefit packages. It is different from the previous studies in that the latter focus on the perception of employees towards compensation and benefit Schemes.

## **1.2. BACKGROUND OF THE ORGANIZATION**

Dashen Bank sc was established on September 1995 in accordance with monetary and banking business proclamation number 84/1994 and the commercial code of 1960 to participate in commercial banking activities and its current head quarter is located in Addis Ababa Sudan street in front of National bank of Ethiopia (NBE). The bank started operation on January, 1996 with initial capital of birr 14,900,000 and 11 shareholders. Moreover, the bank has been celebrating its 25 years operation and currently its capital reached to Birr 8.3 billion as at June 30, 2020.

As can be inferred from the five years strategic plan of the bank recently crafted its vision statement articulated as **“To be best in class Bank in Africa by 2023”**. Moreover, this vision statement can be practical by providing customer centric banking service using the inspired professional and cutting-edge technology while creating sustainable value for

its stakeholders. Since establishment, the bank has gone through many stages and development for the last twenty five years and it is the second private bank in the country in profitability. Currently the bank has 9,970 (nine thousand nine hundred seventy) permanent and temporary employees as at June, 2020 reporting period.

### **1.3. STATEMENT OF THE PROBLEM**

In the current aggressive working environment, organizations need continued high level of performance through their human resources to be competitive enough in the market. And one of the most important challenges that at present Company's face is in improving level of employees' perception towards compensation and benefit packages.

As a result Company's compensation and benefit package does affect the perception of its employees. Best designed compensation and benefit packages increase motivation of the employees to work. If the management of a company put an effort in identifying the need of employees and succeed on satisfying the needs by providing relevant compensation and benefit program then the motivational level of employee will increase towards the best achievement of job related activities. (Alec, Cindy, Michael, & George, 2010).

Even though, compensation and benefit are important in maintaining competitiveness by motivating and satisfying the need of employees to be productive and perform well, employees leave the organization due to the fact that they are not compensated enough; even if some employees not to leave the organization because they are enjoying some benefit in terms of promotion or loving the working environment. Organization can compensate employees and assist the organization by improving

employee retention (Chukwuma&DrObiefuna, 2014).

It is an important part of the recruitment and retention plan designing the best Compensation and Benefit as per the needs of employees to compete in the banking industry. DBSC is a pioneer in modernizing the banking sector in the country in every aspect from the private commercial banks. However, there is dissatisfaction and number of complaints manifested from employees who are working in every level of the bank. To support this according to Humana resources and partnership department report from July 1, 2020 to June 2021 GC 357 employees were terminated from the bank. From the total terminated staffs 62% were left the bank due to dissatisfaction with salary and benefit, and unable to promote for a better position as their exist interview have shown. Not only this, from these employees left due dissatisfaction with benefit 43% were managerial employees those have reputable and highly experienced. Moreover, KPMG had also conducted survey in 2018 while the five years strategic plan and their diagnosis report had shown majority of employees left from the bank due unsatisfied with the benefit and compensation packages. As the consultant has found that from the employees' feedback, the Bank does not have a defined pay and benefits philosophy or strategy. Besides there are no guidelines on the choices it makes on pay and benefits and the methods used to reward employees.

According to the researcher's knowledge, the employees' perception towards compensation and benefit was not studied closely. Since Dashen bank Share Company is huge private bank, human resource needs to investigate the implication of compensation and benefit schemes as a motivational technique to employees' perception to stay in the organization. And from the trend analysis I have learnt that when the bank revised its compensation and benefit packages, the bank's performance have been increased emanate

from the motivation of the employees.

Considering the current commercial banks on the pipeline, to get license from the governing body it is expected that high employee turnover from the bank. Therefore, the aim of this study is to identify the particular gap and to recommend possible solution to the bank that benefited to retain its key employees in the future.

Taking into account the view of scientific management, the problem of the study was to assess the perception of employees" towards the Compensation and Benefit Schemes in Dashen Bank S.C.

#### **1.4. RESEARCH QUESTIONS**

The perception of employees' towards Compensation and Benefit Scheme is not clearly known despite the organization effort to design Compensation and Benefit package that can attract, motivate and retain competent employees. In carrying out the study, an attempt was made to address and seek answer for the following basic questions:

- ✓ What is the perception of employees on the existing compensation and benefit schemes?
- ✓ Does the organization compensation and benefit schemes enhance better employees' performance?
- ✓ Does the current compensation and benefit schemes is fair relative to other similar organizations?

## **1.5. OBJECTIVES OF THE STUDY**

### **➤ General Objective**

The general objective of this study was to know the perception of the employees' towards Compensation and Benefit Schemes.

### **➤ Specific Objectives**

Considering the general objective, the study undertook the below listed specific objectives:

- ❖ To review the existing Compensation and Benefit Schemes in Dashen Bank.
- ❖ To identify the extent to which compensation and benefit has been offered based on employee performance
- ❖ To identify the fairness of compensation and benefit scheme
- ❖ To assess the extent to which compensation and benefit schemes are updated and communicated periodically

## **1.6. SCOPE\DELIMITATION OF THE STUDY**

This paper is delimited to the data that only obtained from on the 261 sample based from employees of South Addis district employees and branch employees under the district. The study does not include employees' perception of up county districts towards compensation and benefits packages of the bank. The perception may vary because cost of living in up country is different from Addis Ababa. Moreover, employees' response is

limited to the questioners developed not all their feeling on the benefit packages are not collected. And also interview the HR business partners regarding to the issue, the researcher focus on both direct and indirect Compensation and Benefit Package.

### **1.7. SIGNIFICANCE OF THE STUDY**

The study was significant for the bank's improvement through Compensation and Benefit Schemes, by depth understanding of incentive schemes which influence the employees' performance and to retain them.

The findings were expected to provide answers to the executive managements of the bank for the fundamental question of why employees stay and what would cause them to leave bank. This helps the bank to formulate appropriate compensation and benefit policies and strategies to enhance employee and bank's performance. On the other hand for the researcher the study enables to wide up more knowledge on the issue of compensation and benefit package. To other researchers, the result of the study was serving as literature to throw more light on employee perception on compensation and benefit. Apart from this, the study will also serve as secondary data for future research that interested on the topic.

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

The study organized in five chapters. The first chapter dealt with introduction, background of the study, background of the Organization, Statement of the problem, Objectives, Scope of the study and Significance. The second chapter contained review of related literature and chapter three is dealt with research Design and Methodology of the study. And chapter four focused on presentation, analysis and interpretation of the data collected through questionnaire and interview. Finally, chapter five contains Summary of

major findings, Conclusion and Recommendation.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

#### **2.1. THEORETICAL LITERATURE REVIEW**

The term compensation is intended to encourage performance of employee's regardless of the different forms of incentives used in an organization. It also plays 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 individuals' needs which enhance the organization performance efficiently and effectively (Marwan, 2012).

The employer company may use incentives and monetary rewards to retain competent employees and organization follows different ways to complement compensation that have a much greater impact on performance. Based on the type of compensation, along with the terms and conditions of an employee compensation package, an employer can boost employee retention (Dessler, 2020). Knowledgeable and experienced employees' are the backbone of an organization and the attainment of organizational objectives largely depends on the motivation of employees to work. Among other things, employees' are motivated to work when they are provided a fair financial and non-financial compensation for service rendered to the organization. Compensation is refers to any factor which may be financial or non-financial enablers that enables or motivates a particular course of action .Adequate incentives have been found one of the means through which organization can adopt to motivate employees and increase their

workers' performance (Olubusayo, 2016).

Well-made compensation system enables an organization to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most common reward system that employees get form work is pay in the form of cash (Decenzo and Robbins, 2010).On the contrary, if compensation is not attached with the related work, employees are likely to look for better paying job. Moreover, where employees are dissatisfied with the type of compensation, their contribution towards goal attainment tends to be lower and this loss to an organization.

In harsh cases, pay dissatisfaction may lower performance, causes strike, increase complaint, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 214).The main objectives of compensation system is to create a system of reward that is equitable to employers and employees alike, so that employees are attracted to work and motivated to do good job for the employer.

As Werther and Davis (2014) has identified effective compensation has the following seven objectives: to acquire qualified personnel, to retain current employees, to ensure pay equity, to reward desired behavior, to control cost, to comply with legal considerations, and to facilitate understanding.

### **2.1.1. Types of Compensation**

There are potentially very large numbers of compensation that could be utilized organizations use different incentives schemes t motivate employees. Organizations are designed compensation system to get the maximum performance from the employees and help retain the most productive among them. Generally, compensation are divided into

direct (financial) and indirect (non- financial) compensation (Luthans, 2007).

### **Direct (Financial) compensation**

Direct financial compensation is regarded as variable payments made to employees or a group of employees on the basis of the amount of output or results achieved. On the other hand, it could be payments made with the aim of pushing employees' performance towards higher targets. And financial compensation could also be defined as compensation other than basic wages or salaries ( Ugwu and Coker,2012).Employees are work neat and harder with the hope of receiving financial compensation over and above their normal pay. Financial compensation has been proved to be effective in improving work quality and reducing processing time and cost (Najimu, 2010).

Financial payment, whether it is in the form of wages, piecework or any other compensation pay, bonuses, stock options, company-paid insurance, or any of the other things that may be given to people for good perception. The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from work accomplishment, is to base compensation as much as possible on employees' perception (Pamela, 2018).There are various components of a salary structures that organization use it as a motivating factor. Among others the job rate, which relates to the importance the organization attaches to each job holder; payment which encourages workers or groups by rewarding them according to employees performance example personal or special allowances and fringe benefits such as holidays with pay, pensions. (Forson, 2012).

Payment by itself is historically the most widely used compensation scheme, it reward employees according to the number of items or units they produce or the time they

take to produce them. This system has been criticized due to its tendency to reward quantity of output rather than quality which can lead to reduced quality of the product or service. As study has shown there is a great need to modify and evaluate the effectiveness of this scheme if it is to retain employees and to increase productivity. And skills-based pay is an input-based payment system in which employees receive pay for the skills or competencies which they acquire. This scheme gives the employees an opportunity to influence on their pay by acquiring more skills that lead to payment being increases. Skills-based pay encourages multitasking and flexibility, which in turn enables the organization to respond faster and more effectively to the needs of customers (Carolina, 2010).

There are also compensations like commissions which are given based on a percentage of total sales, used typically with sales people and commissions intended to act as an incentive (Armstrong, Michael, Taylor and Stephen, 2014). These schemes are widely claimed increase employees' commitment to their company by linking pay to profit, and improve the level of mutual interest. Beside to this, profit sharing also encourages the thinking of everyone being on the same team; to have the employees the same goals and is rewarded equivalently. When we see from the employee's point of view profit sharing has disadvantage on the fact that pay levels may decline if the company do not meet its profit expectations (Carolina, 2010). On the other hand gain-sharing is the payment of cash sums to employees related to the financial gains made by the company because of its improved performance (Armstrong, Michael, Taylor and Stephen, 2014).

There is a rapid and immediate impact on the individual's efforts that motivate the individual to increase production and improve performance. The individual gains several psychological and social benefits as a result of enhancing his/her purchasing power to

satisfy needs of goods and services. However, direct or financial incentives alone are not sufficient unless assisted by other types of incentives mechanisms. Hence, their effects are limited to satisfy the biological needs of individuals and have a little impact after it reaches the limit of needs. Consequently, individuals are not looking for to increase production for additional financial gains; they cannot be financially motivated to contribute in increasing production except for a certain amount based on their efforts (Marwan, 2012).

### **Indirect (Non-financial) compensation**

This type Compensation relies on increasing an employee's sense of satisfaction in his or her work. It is based on Management's recognition that an employee's work is valuable to the business as a whole, and providing employees with the feeling that the project undertaken is inherently meaningful (Najimu, 2010).

Non-financial or indirect compensation schemes are aimed at moral motivation to serve in the interest of the community. And typically it attracts certain kind of people who readily identifies the mission of the organization. It could be in the form of participate in decision-making, certificates of thanks and appreciation, training and parties for distinguished employees. (Ugwu and Coker, 2012). And non-financial incentives are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. These incentives are based on respect of a human being who has feelings, expectations and ambitions and may be in the form of employees to participate in decision-making, training, certificates of thanks and appreciation (Marwan, 2012).

Special opportunities are given, for instance the chance to experience special training, favored assignments, flexible working conditions and mentorship can be

considered as non-financial incentive to employees. Giving gratitude is one means of employee incentive which relatively low cost but high impact on employees performance. This recognition could be done and expressed through a host of simple gestures such as holding annual dinners, luncheons at which high achievers or performers are celebrated. On the other hand recognition is the demonstration of appreciation for a level of performance it can be confidential or public, causal or formal. Recognition and appreciation of job effort to employee increase individual's satisfaction and loyalty to work enhance more cooperation with colleague (Marwan, 2012).

Excellent motivation can be relied when an individual share his/her achievements with others and recognized and celebrated. If employers rely only on financial incentive to recognize contribution and achievements, it is possible that objective of employees will become modified to secure only the financial aspects and this will lead to the organization for degraded culture. Recognition will be cost effective way of enhancing achievements and enable people to feel involved in the company culture, if it is used correctly.

In general recognition, whether it is cash or non-cash has an advantage over base pay and variable pay because it can be used at any time. Companies can immediately reward and acknowledge something of importance that was not necessarily planned, such as unexpected and outstanding achievements of individuals and teams. Indirect (non-cash) recognition can be especially significant to the recipient since it can be customized or personalized and it also gives the company a possibility to differentiate themselves from other organization because that this type of recognition cannot be imitated by other companies. (Carolina, 2010)Promotion is a movement of a position in which responsibilities and presumably prestige are enhanced. And empowerment is also the

process which enables employees to set their own work goals and solves problems within their sphere of responsibility and authority can be considered as incentives (Khan & Gautama, 2014).

### **2.1.2. Compensation Strategy**

Compensation Strategy defined as it is a plan that dictates how employees are paid and rewarded for their work. These thoughts are based on the existing market for people with the same skills and the general available funding an organization is able to spend on payroll. Moreover, compensation strategy is also a means of motivation and incentive that increases the value of general payroll systems Compensation strategy is the method by which organizations attract and retain top talent. This compensation system deals with companies pay packages and annual rewards for ongoing loyalty to a business. It also permits a firm to continue competitive way with other organizations and helps companies set forth a strong impression of the goals they need to achieve. By developing a compensation strategy, organizations make a show of the skills value and the type of personnel they want to attract. Moreover, creating a diverse pay range inspires employees to work hard and reach higher levels within the business to achieve more honors and greater compensation. (Shpetim, 2012).

On the other hand, compensation strategy refers to commissions, rewards and bonuses awarded to employees who exceed expectations. It is also measured the overall compensation strategy but is referred to as a talent management and retention policy. This compensation structure is driven by the concept that people work harder to get better compensation.

### **2.1.3. Keys to an effective compensation strategy**

### **2.1.3.1. Budget Allocation**

It includes the organization's attitude in dealing with compensation dollars into salary and benefits. This strategy will determine how much of the total compensation budget will be spent on salary and what percentage will be spent on benefits and other incentives (Chappra, 2006).

### **2.1.3.2. Benefit Package**

Many organizations have benefit packages, in addition to salary, to attract and retain employees. The system goal is to be competitive with health, retirement, tuition reimbursement and other benefits because they understand that it can be the determinant factor for a job holder, who is determining whether to take a position with an organization, or an employee who is considering departing from work (Chappra, 2006).

### **2.1.3.3. Determining the Compensation and Benefit Packages**

The compensation and benefit packages should be selected on the bases of what is good for employees as well as the employer and knowing employees' preference can determine which benefits should be offered. There are series of internal and external factors that influence compensation and benefit decisions (Randal, 1998).

#### **A. Benefit Administration Issues**

Organizations tend to view indirect compensation as a reward; recipients do not always see it that way. This causes organizations to become concerned with their package of indirect compensation and benefits and how they administer (Randal, 1998). The issues include:

#### **B. Communicating the benefit packages**

Flexibility benefit is good not only because it gives employees what they are more

likely to want but also it makes them aware of the benefit they are gaining and thereby not only increase their morale but also their promise to the organization. If employees have no information of their benefits there is a little reason to believe the organizations benefit program objectives will be attained (Randal, 1998).

And disclosing or notifying benefit packages on time and providing employees with benefit flexibility increase the positive impact of indirect compensation. As studies have shown that communication of the total compensation to employees, some organizations use yearly benefit summary to provide a detailed list of costs incurred by the organization to retain, train, support, and reward a member of that organization (Randal, 1998).

Communication is the major element of the entire compensation and benefits decision process and many employees are unaware of employer efforts and also they do not understand how their usage patterns ultimately affect cost. Hence, employee education is a major gap that remains to be filled in most organizations. And with an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today as cited by (Schliemann, 1987).

The most technically complicated payment plan can generate desired employee reactions or exactly the opposite. The real effect depends on whether the rationale for the payment plan is assumed and accepted or whether employees' perceptions of the facts upon which the rationale is constructed (e.g. the organization's financial strength, the pay of employees in other jobs or organizations) are similar with the perceptions of those charged with seeing that the payment strategy has the planned effects (Day, 2011).

#### **2.1.4. Employee Perception on benefit packages of an organization**

Employees' pay perceptions are important in organization and it will impact the organization talent and business outcomes. But unfortunately, employees often have a negative view of their pay (Dunn and Martin, 2014). Most of the time employees usually do comparison regarding pay, and based on this comparison they conclude their perception towards the pay structure of any benefit packages. And employee feel unhappy or dissatisfied if they feel they are been paid less than their friends. Therefore, Managers should exert their energy so that employee believes their compensation is directly related with their performance and they had paid accordingly. Thus employee pay perception could be improved if they get right pay information at time from their supervisor or managers and pay satisfaction is an important component of overall job satisfaction of employee. And also employee job satisfaction highly influenced by the compensation and its component. (Dunn and Martin, 2014).

If an employee's has limited pay knowledge, then they don't know how compensation system works, how they can earn more by giving better performance in organization (Diekmann, 2015). Employee pay perception depends on the pay information and communication, how clear or timely pay information organization provide to employee. When workers believe they receive pay communication on time, they create more positive perception towards organizational procedures, distributions, interpersonal treatment, and information (Day, 2011). If employees receive continuous pay information, their perception about pay system will be more positive. High pay knowledge leads to more pay satisfaction and perceived pay effectiveness at the organizational level (Sweins, Kalmi, &Hulkko, 2009). Employees pay perception is also based on professed fairness of compensation in an organization and fairness is required in all organization decision

making process, and the absence of fair policy lead to feelings of dissatisfaction and to perceptions of discrimination.

On the other hand pay satisfaction is also depends on actual pay but it more depends on whether employee perceive pay policy as reasonable on the work (Jawahar and Stone, 2011). However, employee perceptions of unfairness are being related by many negative factors. These factors are generically called Counterproductive Work Behaviors (CWB) that is pay fairness as important pillar of pay perception. If employee feel that benefit is distributed fairly they feel more motivated, but in lack of pay fairness employee feel less motivated and dissatisfied (Okpara, 2006).

However, apart from pay fairness, Performance based pay was an important dimension affecting pay perception. It is an important factor influence the overall pay satisfaction of employee. Organization need to tightly link the pay and performance, because employee want pay equitable their performance level and should be improve with the performance improvement (Mone& Kim, 2008). Employee may feel discrimination if they found their pay is not equal to their contribution in the job. Employees pay perception is also making difference on basis of sex, education and experience. Male employees have negative perception about pay and promotion policy of the organization as compare to female. Because female are more satisfied with organization pay and promotion (Okpara, 2006). Employee perceive pay policy ineffective if they found difference between individual objective and organization objective. Thus pay information, transparency in pay policy want pay to be linked with performance (Diekmann, 2015). To increase the pay perception of employee it is required work more on compensation policy in form of better rewards system, performance bonds, introduction of employee stock option plan, and other

benefits based on performance.

### **2.1.5. Compensation Policy**

Compensation policy is derived from organizational strategy and contained overall human resource management. If an organization wants to the compensation management to work effectively, it should clearly specify its compensation policy, which must contain the basis for determining base compensation, incentives and benefits and various types of privileges to various levels of employees. The policy should be linked with the organizational viewpoint on human resources and strategy. Organizations needs develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees (Dessler, 2020).

Organization should have clear, written policy and documented for reference on compensation and benefit related matters including the determination of what, when, and how they pay and related issues computed. According to (Dessler,2020) other compensation policies includes the amount of vacation and holyday pay, overtime pay policy, method of payment( i.e. weekly, biweekly, monthly) etc.

### **2.1.6. Employees Attitudes toward Compensation and Benefits**

Supposedly, increasing levels of benefits should be satisfying to most employees; however, recent data (Schliemann, 1987) indicates that employee attitudes toward benefits have not kept pace with increases in employer contributions to benefit plans.

#### **2.1.6.1. Attitudes towards Pay**

According to Morgan &Schliemann, (1986) employee attitudes toward pay show decreases in favorable pay ratings among managers, exempt, and non-exempt employees.

These declines are attributed to diminishing pay increases (due to lower inflation and lower merit increases); reduced pay for performance relationships, and low income employee understanding of how pay is determined. Beside to this, organizations are facing a problem with their performance appraisal to attach the related compensation.

As the latest study shows that the standard sets against which employees' performance are judged are vague and highly subjective. Therefore, the absence of clarity/simplicity and objectivity of the standards used to measure the performance of the employees creates role doubt, confusion and frustration among the workers to accept their job. Consequently, the majority of the respondents asked the validity and correctness of the current form used to measure the performance of workers to undertake administrative decisions. Thus, employees do not notice that their performance is measured and they believe that the performance record does not reflect their true performance. (ZelalemBayisa, 2007).

In addition to this, lack of good communication shown regarding the relationship between the appraisal and subsequent pays. Moreover, yearly employees' appraisals without continual supervisory feedback are unlikely to be effective in establishing accurate feedback regarding a subordinate's location in the performance distribution (Teel, 1986 cited by Schiemann, 1987).

#### **2.1.6.2. Attitudes toward Benefits**

Attitudes toward various benefits differ substantially and the most favorably rated benefits are profit sharing, savings plans, and stock purchase plans. The minimum positively rated benefits are pensions, disability (short and long term), and sick leave (for some job groups). Al though 84% of employees rate medical benefits as the most

important benefit they receive, only 67% rate health insurance favorably. Moreover, 60% or fewer rate dental, sick leave, and disability insurance favorably (Day, 2011).

Additionally, some of the most expensive benefits of an organization (pension and health related benefits) are not rated most favorably; in fact, pension plans are rated favorably by only half of the employees having retirement programs (White & Becker, 1980 as cited by Schliemann, 1987). Schliemann (1987) stated that historically, these ratings do not vary dramatically across job groups, sex, or different age groups. With respect to service in an organization, new employees (those with service under one year) rate their benefits most favorably, followed by periods of decreasing ratings, which then turn upward after 15 or so years of service. The satisfactory ratings during first years probably reflect a "honeymoon" period, and the more positive ratings of longer tenured, older employees reflect greater usage patterns (for health benefits).

## 2.2. EMPIRICAL REVIEW

**Seble (2019):** conducted a research on the title employees' perception towards compensation and benefit schemes in the United Bank sc. As the researcher findings has showed that the existing compensation and benefit scheme is not competitive with the industry. Furthermore, the clarified the scheme is not considered the cost of life of employees and it is on merit based.

**Anduaem (2017):** conducted a research on employees' perception towards compensation and benefit schemes study conducted on Dashen Bank sc. The researcher concluded from the findings that employees perceived the current compensation and benefit provided are inadequate, employees are participate in compensation and benefit decision, compensation and benefit schemes do not depend on performance. Moreover, it

is updated and communicated periodically to employees. And the study suggested that management has to make sure the employees contribution for the company.

**Belachew (2013):** also studied on employees' perception towards compensation and benefit scheme at management science for health. The researcher identified that the majority of the respondents disagree or strongly disagree with majority of the issues raised. The respondents strongly feel that the compensation and benefit scheme of MSH is not equitable with other similar NGOs, it is not fair, and it does not help to attract and retain competent staff.

**Mikael (2011)** conducted a research on engaging Indian IT employees a compensation and benefits case study of a Finnish Multinational IT company. The main findings of the study were that even though Indian IT employees change their employers easily, monetary compensation was not the primary factor in their work lives. They valued intrinsic motivational factors above extrinsic and those factors were often tightly connected with the work itself.

**Ahimed Kelil (2010)** studied the perception of employees regarding the compensation and benefit policy in government higher education institutions found in Addis Ababa. The findings had showed that employees perceived the current compensation and benefits inadequate, employees did not participate in compensation and benefits decision, it is not periodically updated and communicated to employees. Moreover, it was perceived that the effectiveness of compensation and benefits was not evaluated and the policy was no revised.

From the above studies it is observed that perception of compensation and benefit is mainly focused on productivity and effectiveness of employees' performance. Hence, in my point of view the studies did not focused on the internal desires of employees and

solution are not proposed how these will be fulfilled.

### **2.1.7. HYPOTHESIS**

Based on the literature review and main objective of the study the following hypothesis was formulated:

H1 = There is a significant positive/negative relationship between perception of employees towards of compensation and benefit package available in DB with compensation communication periods, fairness of compensation, overall compensation scheme and employees performance.

HO = There is no significant relationship between compensation and benefit package available in DB with compensation communication periods, fairness of compensation, overall compensation scheme and employees performance towards employees perception.

### **2.3. Conceptual framework**

All HR programs assumes that, majority of employees feel that they are being fairly compensated in relation to the performance results they have achieved and their pay level is equitable both internally in the organization with other employees in their job and externally. However, if a lot of employees feel that their compensation is not fair or equitable, the benefit of various HR programs, such as on-boarding, recruitment, engagement, leadership, management training and skill developments are likely to be greatly diminished.(Jack Bucalo,2018)

This model has shown the relationship between employees' perception on compensation and benefit scheme towards overall compensation and benefit packages, compensation in relation to periods, fairness and in relation to performance.

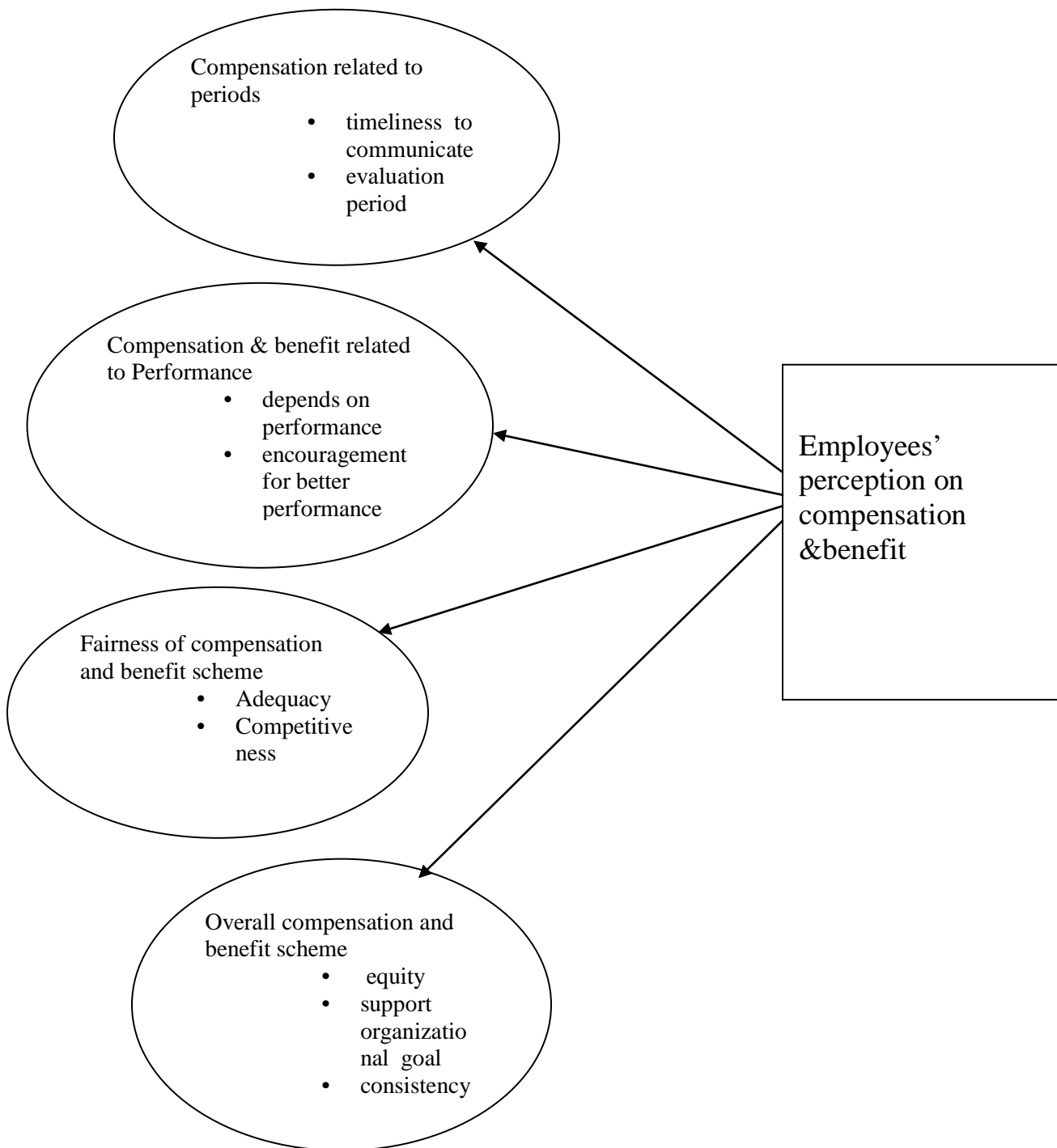


Figure 1: Compensation and benefit model (Source: William A. Schliemann. (2009). *Employees' Perception towards Compensation and Benefit Policy: Journal of Business and Psychology*, Vol. 2, No. 1, pp.10)

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

This chapter deals with the research design, Population and Sampling Techniques, Source of data & data collection tools used, data collection procedure.

#### **3.1. RESEARCH APPROACH**

This study was conducted using quantitative approach of research because numerical data are collected from the respondents' and the researcher is centered on the quantification of relationships between variables.

#### **3.2. RESEARCH DESIGN**

A research design is a master plans that specifying the methods and procedures for collecting and analyzing the needed information (Burns & Bush, 2003). Saunders, Lewis and Thornhill (2007) indicate that research design is the general planning about how the researcher will go about answering his or her research questions.

The research design used may vary from research to research and the type of research employed for the purpose of this study is descriptive in nature, because the researcher has no control or effect on the variables of the study. It is intended only to investigate the extent to which perception of employees' towards Compensation and Benefit Schemes.

Descriptive study is helpful when a researcher wants to look into a phenomenon or a process in its natural contexts in order to get its overall picture instead of taking one or

some of its aspects and manipulating it in a simulated or an artificial setting. Thus, descriptive study was intended only to investigate the extent to which perception of employee towards compensation and benefit from a holistic perspective in its natural settings. Moreover, in order to achieve the intended objective, both quantitative and qualitative methods were selected. Hence, the convenient research designs considered suitable for this study was descriptive case Study.

In order to conduct this study first the research focus on the major problem by taking some initial theory as a background to the problem identified then it focus on the underlying causes problem not just their symptom and link each problem identified to both relevant theory, evidence, conceptual issues raised by other writers/experts after this by gathering information from employees in both by primary data(questionnaire and interview) and secondary data(organization document and different books) to present, analysis and interpreted by using different tools like frequency, percentage and table. Finally, the recommendation for the organization based on the data gathered from employees.

### **3.3. POPULATION AND SAMPLING TECHNIQUES**

Sample size determination is a process of selecting sufficient portion from the population for the purposes of generalizing the findings. The aim of using sampling method is to adequately manipulate the large number and reduce the cost of producing the questionnaire to the entire population. The researcher use the formula for estimating the sample size provided by Yaro Yamane (1969) which was cited in Obasi and Ekwueme (2011) and cited again on BelaynewAsrie, Electronic commerce (2012). Out of 875 employees of DB located in south Addis Ababa district Office and 41 branches under the

same district the researcher was select total of 274 employees using the following formula.

$n = \frac{N875}{1+N(e)^2}$ $1+875(0.05)^2 = 274$
---

Where n = sample size    N= population    1 = constant e = error estimate (0.05%) at 95% confidence interval.

Sampling techniques can be divided into two types, Probability or Representative Sampling and Non-probability or Judgmental Sampling (Saunders, Lewis and Thornhill, 2007). Probability Sampling is a selection of sampling techniques in which the chance or probability of each case being selected from the population is known. While, Non-Probability Sampling is a selection of sampling techniques in which the chance or probability of each case being selected is not known.

In order to conduct this study, the researcher selected employees of the bank on the bases of simple random sampling method by simply selecting employees. The sampling units are accessible, easy to measure and cooperative. For the researcher it is simple to contact the employees of the district office and branches employees under south Addis district office on daily bases. The researcher expected respondents were give a short explanation about the purpose of the study and request was made to them to fill up the questionnaire with correct and unbiased information. The target populations of the study were including employees and branch Managers and human resource management employees of the District.

**Sample distribution table**

SN	Work units	Number of questioners distributed	Number of questioners returned

1	District	24	22
2	Branches	250	239
	<b>total</b>	<b>274</b>	<b>261</b>

### **3.4. SOURCE OF DATA AND DATA COLLECTION TOOLS USED**

The objective of the study was assessing Employees' Perception towards Compensation and Benefit in the bank. For the purpose of this research, both primary and secondary sources of data were utilized in order to generate both quantitative and qualitative data.

Primary data are information that has not been published or it is the first-hand data. And those primary data are collected through questionnaire and interview. Most of the researchers choose to use primary data instead of secondary data due to its more credibility as it is based on the target population. Considering this the researcher collected primary data by distributing structured questionnaires for the employees and interview for HR business partners.

On the other hand, secondary data are information that has been published or available to public. Secondary data can be collected from books, newspapers, journals, and electronic sources such as website, E-journals and etc. Secondary data are less time consuming and costly compared to primary data. This is because the information is collected from previous study conducted by other researchers. The researcher collected different HR data download on human resource management department portal address and monthly published news paper of the bank.

### **3.5. DATA COLLECTION PROCEDURE**

The researcher has been work relationship with all branches under the district office and distributed the questioners by taking three days leave of absence. And 63% of the responses were collected on the same date of the distribution date and the rest collected through branches messengers. Furthermore, interview data was conducted by attend in the human resource work unit of the district office and relevant information were collected.

### **3.6. Data Analysis Method used**

First, the researcher collected the data by distributing questionnaires to employees of Dashen Bank S.C at South district and branches under south Addis district office by taking a sample questionnaire for six employees to check whether the question are clear or not. After that, collected data was rearranged, edited and calculated in order to become complete data that is needed for this study. Descriptive data analysis was mainly used to analyze the data collected through the Questionnaire was carried out through quality assessment checklist and data has analyzed according to the objective of the study and framing the different sections of the questionnaire and the variables under each construct through statistical data analysis method whereas the interview data were presented and analyzed through summarized text. The data were present into descriptive statistics such as table, percentage and frequency using Statistical Package for Social Science (SPSS).

### **3.7. VALIDITY AND RELIABILITY**

#### **Validity**

To ensure the validity of the mechanism for the study, questionnaires were adopted from previous researchers. Beside to this, the validity of the instrument was checked by distributing 10 questionnaires for pilot testing for selected employees. The pilot testing

helped the researcher to check the gaps and adjust the questionnaires accordingly.

### **Reliability**

Reliability test is used to determine reliability of the questionnaire which is used to measure the internal consistency of the measurement. In this research study reliability was tested by calculating Cronbach’s Alpha using Statistical Package for Social Science (SPSS) which is used to measure the internal consistency.

As depict below Scale reliability Cronbach Alpha’s coefficients for Perception related to overall Compensation & Benefit was 0.864 and the internal consistency is good.

**Table 3.6.1 Reliability test**

<b>Dimension</b>	<b>Number of Items</b>	<b>Alpha coefficient</b>
Perception related to overall Compensation & Benefit	9	0.916
Compensation & Benefit related to period	3	0.812
Fairness of Compensation & Benefit	6	0.838
Compensation & Benefit related to performance	6	0.89
<b>Reliability of total scale</b>		<b>0.864</b>

Source: Own computation, 2021

### **3.8. ETHICAL CONSIDERATIONS**

Ethical consideration is one of the most essential parts in research which participants should not be subjected to harm in any ways. In doing so, I informed written and verbal consent was obtained from the study subjects and data collection was undertaken based on their voluntarily

participation. Participated respondents were ensured that information obtained will be strictly confidential.

As this study focused on employees of DB Sc, certain issues were addressed. Among others, maintain privacy of the respondents, the information collected from the respondents will be strictly confidential and their consent. Moreover, the respondents will give confidence on confidentiality of their identity that is names or personal information in the research and the information that they did not wish to disclose. Only relevant details that helped in answering the research questions will include. These issues will identify in advance so as prevent future problems that could have rise during other research process.

## **CHAPTER FOUR**

### **4. DATA PRESENTATION, ANALYSIS & INTERPRETATION**

This chapter deals with the presentation of analysis, and interpretation of data gathered through questionnaires and interview. In this part of the chapter analysis was made to assess the employees' perception towards the current compensation and benefit scheme of Dashen bank sc. Thus, as stated in the earlier chapter 274 structured questionnaires were distributed to respondents and 261 questioners were responded. As per the data collected this chapter summarized the demographic profile of respondents, the questionnaire distributed and the response rate. The perception of employees towards the items included in the questionnaire and employee characteristics including the gender, age, marital status, educational qualification, position, and work experience also presented.

The questionnaire was structured in a 5-point Likert's Scale format. The researcher used highly structured question format allows for the use of closed questions that requires the respondent to choose from a predetermined set of responses or scale points. Where: Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2, and Strongly Disagree (SD) = 1

#### **4.1. General Profile of Respondents**

Under this section, the researcher collected information about the general profile of the respondents like age, gender, marital status, educational background, and experience in the bank.

Table: 4.1.1. General Profile of Respondents

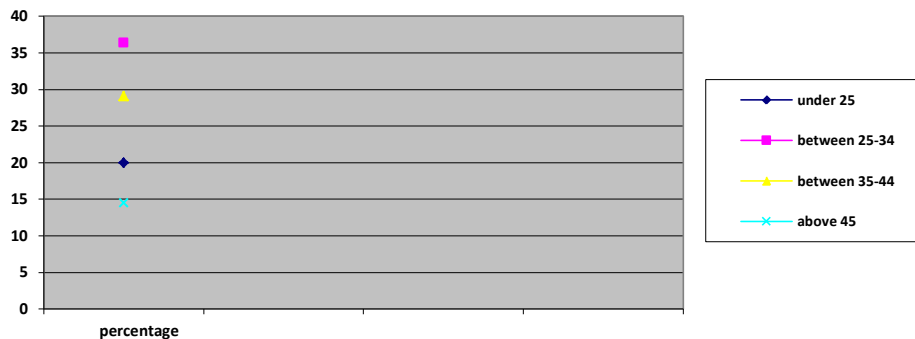
Item	Alternative	Frequency	Percentage (%)
Sex	Male	161	61.8
	Female	100	38.2
	<b>Total</b>	<b>261</b>	<b>100</b>
Age	Under 25	52	20
	25-34	95	36.4
	35-44	76	29.1
	Above 45	38	14.5
	<b>Total</b>	<b>261</b>	<b>100</b>
Marital status	Single	116	44.4
	Married	142	54.4
	Divorce	3	1.1
	<b>Total</b>	<b>261</b>	<b>100</b>
Education level	Diploma	6	2.3
	First degree	196	75.1
	Second degree	59	22.6
	<b>Total</b>	<b>261</b>	<b>100</b>
Position	Top Management	1	0.38
	Middle level management	38	14.56
	Line management	32	12.26
	Professional	184	70.5
	Other clerical staff	6	2.3
	<b>Total</b>	<b>261</b>	<b>100</b>
Work experience	Less than two years	42	16.09
	2-5 years	110	42.15
	6-10years	51	19.54
	Above 10 years	58	22.22
	<b>Total</b>	<b>261</b>	<b>100</b>

Source: Own Survey (2021)

As inferred from the table 4.1.1 above from the 261 respondents to whom the questionnaires were distributed 161 or 61.8% were male and 100 or 38.2% were female in terms of gender. This implied that Dashen Bank male employees are higher than female employees.

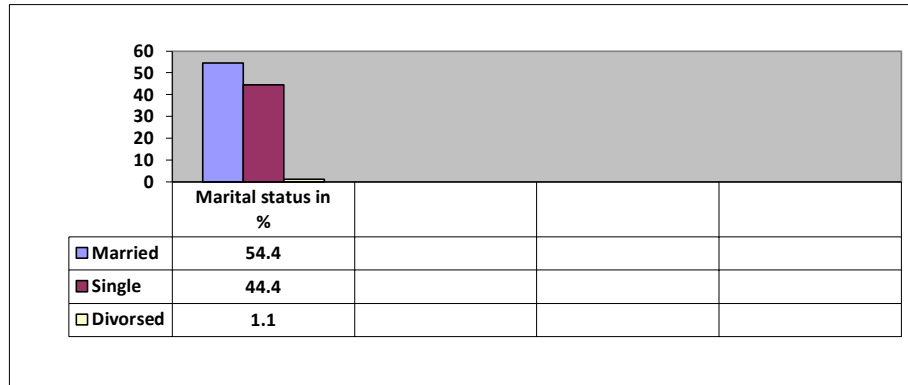
As per the data obtained from the respondents, majority of the respondents ages were between 25-34 years old with the percentage of 36.4%, 20% of respondents were below than 25 years. While 29.1% of the respondents were between 35-44 years, and 14.5% were over the age of 45 in terms of age. As it can be understand from the data that majority of the respondents are young aged employees engaged in the bank. This benefited the bank because young employees are willing to work energetically and face challenges with their jobs. More over they have a good tendency to interact with new technology and change. And the distribution has shown as below.

**Figure 2. Distribution of Age**



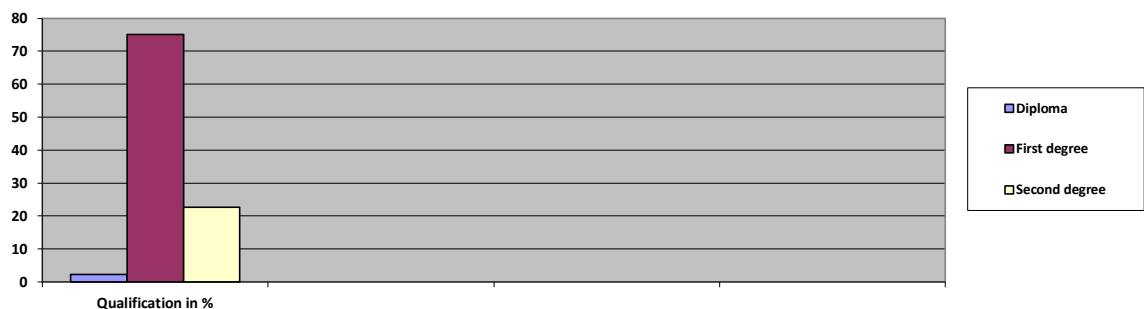
In terms of the distribution of Marital Status of the respondents, it is indicated that many of the respondents comprising 54.4% are married, 44.4% are single and 1.1 % are divorced employees. From this it can be understood that majority of the staff are married this may benefited the bank that employees stable to work.

**Figure 3. Distribution of Marital Status**



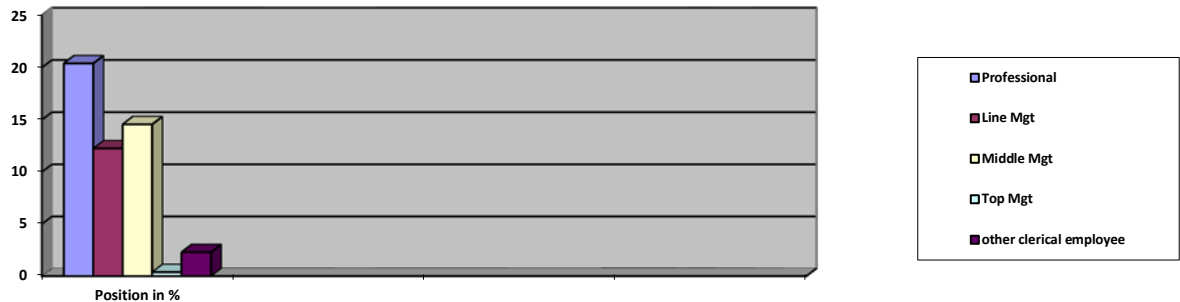
Regarding Educational level of the respondents 2.3% were diploma holders, 75.1% of the respondents have first degree and 22.6% of the respondents were post graduate (2nd degree) holders. This computation reveals that the bank decreased recruiting diploma holders rather new entrants to the bank were minimum first degree holders. Furthermore, the degree holders upgrade their education level to master beside to their work. This employee's advancement in education creates to the bank opportunity in easily understanding of technology and works done in skilful which benefit from the dynamic perspective and innovative thinking of high performers.

**Figure.4. Distribution of educational qualification**



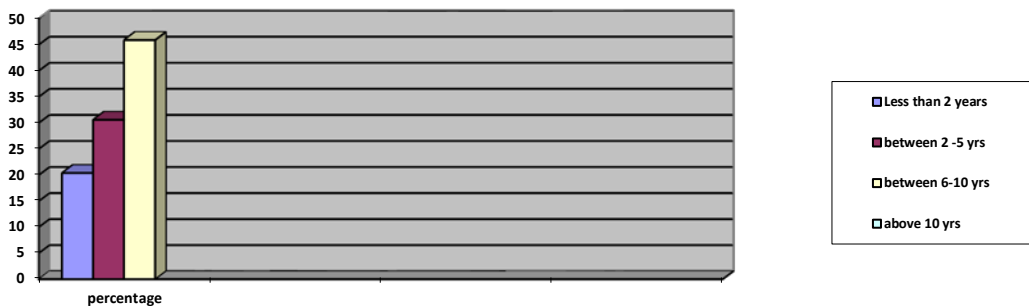
As the above table regarding employees position has shown, it is indicated that 70.5 % of the respondent were professional staff, 12.26 of the respondents were line management, 14.56% of the respondents were middle management, 2.3 of the respondents were other clerical position and 0.38% of the respondent was top management level. This implies that majority of the employees are in professional level and not decision making employees.

**Figure 5. Position of the respondents**



In terms of length of service or work experience 16.9% of the respondents had worked in the bank less than two years, 42.15% between 2 and 5 years, 19.54% between 6-10 years and 22.2% above 10 years. From the computation it is possible to say that the bank have experienced employees and also creates job opportunities for the new graduates' as well.

**Figure 5. Distribution of work experience**



This helps the bank in providing better quality of banking service to its esteemed customers by combining the experienced employees with the new employees. Moreover, this combination produce higher quality work which result in a significant cost savings that the new employees learned the banks platform and culture from the experienced.

## 4.2. ANALYSIS OF DATA RELATED TO COMPENSATION & BENEFIT

Nine items were used under this category. These include the overall perception towards compensation and scheme.

### 4.2.1. Perception towards Compensation and Benefit

Table:4.2.1.1. Respondent's perception related to compensation and benefit

Perception towards Compensation and Benefit		SA (5)	A(4)	N(3)	D(2)	SD(1)	Mean	SD
The compensation and benefit distributed matches with my work experience and education I have N=261	F	17	36	21	66	121	2.08	15.04
	%	6.4	13.6	8.2	25.4	46.4	100	
Compensation and benefit scheme is compatible with in the banking industry	F	19	26	55	97	64	2.38	18.17
	%	7.3	10	21	37.3	24.4	100	
I know where to go for information inquiry related to compensation and benefits	F	12	31	40	111	67	2.27	18.02
	%	4.6	11.9	15.5	42.3	25.5	100	
The current compensation and benefit scheme support and facilitate achievement of organizational goals	F	14	47	34	119	47	2.47	20.22
	%	5.5	18.2	12.7	45.4	18.2	100	
I participate in compensation	F	5	14	8	176	58	1.97	22.32

and benefit decision	%	1.91	5.36	3.06	67.45	22.22	100	
The bank use employees feedback to make improvements in compensation and benefit	F	10	19	45	102	85	2.10	16.76
	%	3.6	7.3	17.3	39.1	32.7	100	
The bank for which I am working has a written compensation and benefit scheme	F	57	78	62	45	19	3.41	28.80
	%	21.8	30.0	23.6	17.3	7.3	100	
The current compensation and benefit package is capable of attracting and retaining competent employees	F	24	43	28	90	76	2.42	18.20
	%	9.1	16.4	10.9	34.5	29.1	100	
Did you have plan to leave the bank in connection with the compensation and benefit scheme	F	47	71	91	35	17	3.36	28.40
	%	18	27.21	34.87	13.41	6.51	100	
<b>Overall mean</b>							<b>2.50</b>	

**Source:** Own Survey (2021)

As it can be seen from the table above, respondents were asked to reflect their opinion whether they believed that Compensation and Benefit distribution in the bank consider experience and education. And the finding indicated that the majority of the respondents 46.4% strongly disagree and 25.4% disagree respectively. From the above data 8.2% of the respondents have no opinion with the statement. Moreover, 6.4% and 13.6% of the respondents strongly agree and agree with the statement respectively. And

also the mean average also between the strongly disagree and disagree, this implies that the bank's compensation and benefit implemented did not consider experience and education level of employees. This may lead the bank loose of highly qualified, competent and experienced employees at any time.

On the other hand, the majority of respondents 24.4% and 37.3 do strongly disagree and disagree respectively with the idea that compensation and benefit scheme does not compatible with in banking the industry. As the mean has also shown it is between strongly disagree and agree which indicated that the current benefit scheme is less than the industry. Only 7.3% and 10% of employees strongly agree and agree with the idea respectively, however 21% of the respondents have no opinion with the statement which indicated that they didn't know or not perceive the difference between the bank's with the industry. Moreover, the respondents do not agree with statement that employees know where to go for information related to compensation and benefits. From the above data 42.3% respondents disagree and 25.5% respondents strongly disagree and the mean result is also 2.27 which indicated that the bank has no clear platform that declares the scheme. Only 4.6% and 11.9% strongly agree and agree respectively know whom to ask for information regarding compensation and benefits.

In relation with statement, the current Compensation and Benefit scheme Support and facilitate achievement of organizational goals only 5.5% of the respondents strongly agree, 18.2% agree and 2.71% have no opinion. From the above data 45.4% and 18.2% disagree and strongly disagree with the statement respectively with mean result of 2.47 fall under disagree. This implies that employees are not motivated to Support and facilitate achievement of organizational goals.

Majority of the respondents 22.22% and 67.45% disagree and strongly disagree with the idea that employees participate in the compensation and benefits decision process respectively. Only 1.9% and 5.36% of the respondents strongly agree and agree with the statement that is participated while in compensation and benefit packages crafted and the rest 3.06% have no opinion on the subject. This implies the Bank doesn't give a chance to more of its employees to participate in decision making process.

In relation to the statement, the bank use employees feedback to make improvements in compensation and benefit policies, majority of the respondents 39.1% disagree and 32.7 strongly disagree respectively. Only 3.6% agree and 7.3% strongly agree with the statement. The remaining 17.3% have no opinion. This implies that the Bank didn't use employee feedback to improve the compensation and benefit policies. This may create dissatisfaction in the employees.

With regard to the statement, the bank for which I am working has a written compensation and benefit scheme 21.8% of the employees strongly agree and 30% agree. Whereas 23.6% Of the respondents have no opinion on the statement. Moreover 17.3% disagree and 7.3 strongly disagree.

As the table indicated that 34.5% of respondents disagree and 29.1% strongly disagree with the statement that „the current compensation and benefit scheme available in the bank is capable of attracting and retaining competent employees. From the above data 9.1% of respondents strongly agree and 16.4% agree with the statement. The rest 10.9 respondents have no opinion.

The last point raised to the respondents was to know their feeling on stay or leave in connection to the current compensation and benefit scheme. Thus, their response was

18% and 27.21% strongly agree and agree respectively which means employees plan to leave the bank. On the other hand 6.51% and 13.41% plan to stay in the bank, however 34.87% of the respondents were in between with stay and leave. From this result it can be understand that 45% of the respondents in total plan to go out from the bank and the bank shall be proactive to assume the compensation and benefit scheme.

Again here the researcher raised a question for the Human resource partner whether or not the organization strictly implements Compensation and Benefit programs as per the manual, policy and procedure. The partner has appreciated the interview questions and she confirmed that the bank strictly implements Compensation and Benefit program as per the manual. Rather there is a very good practical implementation of everything with the manual, policy and procedure. She also added that the bank has been considered as best bench mark from and among the banking sector for other companies to implement their policy, manual and procedures per the bank and government rules and regulations.

### 4.2.2. Compensation and benefit related to period

In this category the researcher wants to know communication of compensation and benefit scheme to employees on time, periodic evaluation of the effectiveness of compensation and benefit scheme, and adjustment/revision of the scheme within a reasonable/logical time period.

**Table: 4.2.2.1.Respondents’ opinion on compensation and benefit related to period**

Compensation and benefit related to period		SA	A	N	D	SD	Mean	SD
The Compensation and Benefit Schemes updated and	F	14	33	26	143	45	2.34	20.51

communicated periodically	%	5.36	12.65	9.96	54.79	17.24	100	
The bank periodically evaluates the effectiveness of compensation and Benefit packages.	F	18	35	66	102	40	2.57	20.25
	%	6.90	13.41	25.28	39.08	15.33	100	
Compensation and benefit adjustment is made within a reasonable/logical time period	F	17	42	50	83	69	2.44	18.31
	%	6.5	16.1	19.15	31.8	26.45	100	
<b>Over all mean</b>							<b>2.45</b>	

**Source:** Own Survey (2021)

**Table: 4.2.2.1.** Shows that majority of the respondents 54.79% and 17.24% disagree and strongly disagree with the statement compensation and benefit schemes updated and communicated periodically. About 10% of the respondents showed no opinion. The standard deviation 51.99 is found between disagree and strongly disagree. Moreover 5.5% strongly agree and 12.65% agreed on the statement. From the analysis it is possible to conclude that the bank lacks in communicating the compensation and benefit packages periodically.

According to the data from table, 39.08% and 15.33% of the respondents disagree and strongly disagree respectively with the statement that “the bank periodically evaluates the effectiveness of compensation and Benefit packages”. Moreover, the standard deviation 32.72 is found between disagree and strongly disagree. From the above data 13.41% and 6.9% agree and strongly agree with the statement and the rest 25.28% of respondents showed no opinion. This indicates that Bank didn’t evaluate the effectiveness of compensation and Benefit packages periodically.

With regards to the statement “the compensation and benefit adjustment/revision does made within reasonable/logical time period” and 6.5% of the respondents

agree and 16.4% of the respondents strongly agree. In addition 19.15% of the respondents have no opinion. While the remaining 31.8% and 26.45% of the respondents disagree and strongly disagree on the statement. And the standard deviation is between agree and strongly disagree. It is observed that bank has in efficient for adjustment of compensation and benefits periodically. This may create dissatisfaction on the employees.

In this section also interview question raised to the HR partner that how the compensation and benefit packages communicated to employees? And she replied that the scheme has been addressed or the employees through the bank's portal platform.

### 4.2.3. Fairness of Compensation and Benefit

Six items included in this part namely, the compensation and benefit scheme focus on the real need of the employee, fairness of salary, adequacy of benefits to cope with the ongoing cost of life, adequacy of payment for responsibility discharged, fairness of salary in terms of work done, and equal benefit for the same kind of work.

Table: 4.2.3.1.Respondents’ perception towards Fairness of Compensation and Benefit

Fairness of Compensation and Benefit		S A	A	N	D	SD	Mean	SD
The bank’s compensation and benefit scheme focus on the real need of the employee	F	16	42	55	81	67	2.45	18.54
	%	6.3	16.4	20.9	30.9	25.5	100	
The amount of salary and benefit I received is fair relative to other banks’	F	21	39	60	98	43	2.60	20.04
	%	8.2	15	23	37.4	16.4	100	
The current Compensation and Benefit scheme being offered by the bank are adequate to cope with the ongoing cost of Life	F	31	47	11	106	66	2.50	20.24
	%	10.9	18.2	4.5	40.9	25.5	100	
Adequate payment is made for the responsibility I have been discharging	F	9	31	31	133	57	2.24	19.36
	%	3.6	11.8	11.8	50.9	21.8	100	
Salary is fair in terms of work load and experience	F	24	35	43	74	85	2.38	17.19
	%	9.1	13.6	16.4	28.2	32.7	100	
The bank’s compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of Work	F	57	88	45	55	16	3.44	29.71
	%	21.8	33.6	17.3	20.9	6.3	100	
<b>Over all mean</b>							<b>2.60</b>	

Source: Own Survey (2021)

The data on table 4.2.3.1: - shows that 30.9% and 25.5% of the respondents disagree and strongly disagree with the statement the compensation and benefit scheme in the bank was focused on the real need of the employee's respectively. From the above data 20.9% of the respondents have no opinion on the statement. The remaining 6.3% strongly agree and 16.4% agree on the idea. And the standard deviation computed is between strongly disagree. This implies the bank doesn't give much attention to give support fulfilling the real need of its employees.

As it is indicated in the above table 37.3% of respondents responses were disagree and 16.4% strongly disagree on the statement 'The amount of salary and benefit I received is fair relative to other banks'. From the above data 8.2% and 15% respondents strongly agree and agree with the statement. The remaining 23% respondents have no opinion on the idea. The standard deviation 29.11 reveals that it is between strongly agree and strongly disagree. This indicates in the Bank the salary and benefit packages are not balance with other banks.

As presented in the above Table 4.3 40.9% of the respondents were disagree with the statement 'the current compensation and benefit scheme being offered by the bank are adequate to cope with the ongoing cost of life' and 25.5% of respondents strongly disagree. Beside to this, the standard deviations are 36.26 and between disagree and strongly disagree. From the above data 4.5% of employees have no opinion. The rest 10.9% and 18.2% of employees strongly agree and agree with the statement respectively. This result indicates that the majority of the respondent did not agree with the idea. This indicates that Compensation and Benefit are not offered by assessing the current living standard of the employees or in balance with the current inflation and this may create to

employees' dissatisfaction.

Majority of the respondents disagree and strongly disagree 50.9% and 21.8% with statement 'There is adequate payments for responsibility discharged' respectively. The standard deviations 48.26 are between no opinions and strongly disagree. From the above data 11.8% show no opinion, and 11.8% agree and 3.6% strongly agree with the statement. It can be understood from this there is in balance between responsibilities and benefit packages.

Moreover, about 32.7% of the respondents strongly disagree and 28.2% of respondents disagree with the statement that says 'Salary is fair in terms of work load and experience employees have'. About 13.6% and 9.1% of respondents agree with the statement respectively. The rest 16.4% have no opinion on the statement. The standard deviation 26.11 reveals that it is between strongly agree and strongly disagree.

When employees asked the level of agreement on the statement 'the compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of work', 21.8% and 42.7% of the respondent strongly agree and agree on the idea respectively. However, the remaining 11.8% disagree and 6.3% strongly disagree with the statement. The rest 17.3% have no opinion. This implies that the bank implements a scheme that ensures equal compensation and benefit package to its employees on the same kinds of work. And the standard deviation 25.86 is between strongly agree and disagrees. Regarding to this issue, also the Partner has replied as top Managements and HRO and Partnership department has taken in every day effort of the best practices of desirable improvement by accepting employees' feedback to making effective decisions and providing attractive compensation and benefit Schemes. Both are interdependent and

crucial factor in their organizational context. She continued her responses with magnifying her bank current strength that should be kept up and built on to improve the bank's compensation and benefit Schemes. She also added some hung-up that refrain her bank from doing better are the external factors which are beyond the bank's capacity. In this regard, she mentioned like the competitor and new entrants to the sector, economic factors that affect the bank's compensation and benefit.

#### **4.2.4. Compensation and benefit has been offered based on employee performance**

Six items included in this part namely, compensation and benefit package provide an incentive for better performance, compensation and benefits offered to the employee based on the employee performance, the scheme has positive effect on employees performance, I get annual Increment based on my performance, Rewards hardworking employees to sustain high performance, and the scheme creates good working relationship between management and employees to improve performance.

**Table: 4.2.4.1. Respondents' perception towards compensation and Benefit related to performance**

Compensation and Benefit related to performance		SA	A	N	D	SD	Mean	SD
The current compensation and benefit package of the bank provides an incentive for better performance	F	19	21	35	134	52	2.31	19.5
	%	7.3%	8%	13.4%	51.3%	20.0%	100%	
Compensation and benefits has been given to employee based on the employee performance	F	14	26	12	76	133	1.89	14.66
	%	5.5%	10%	4.5%	29.1%	50.9%	100%	
The scheme has positive effect on employees	F	11	19	64	58	109	2.09	16.25
	%	4.21	7.28	24.52%	22.22	41.77%	100%	

Performance		%	%		%			
I get annual bonus based on my performance	F	44	110	38	45	24	3.40	31.48
	%	16.87%	42.14%	14.56%	17.24%	9.19%	100%	
There is rewards in the bank for hardworking employees to sustain their performance	F	9	7	66	139	40	2.25	21.32
	%	3.44%	2.68%	25.28%	53.25%	15.35%	100%	
The scheme encourages employees to improve future performance	F	22	34	63	89	53	2.55	19.35
	%	8.43%	13.02%	24.13%	34.1%	20.32%	100%	
<b>Over all mean</b>							<b>2.42</b>	

**Source:** Own Survey (2021)

As revealed from the above table 51.3% of the respondent are disagree and 20% of respondent strongly disagree with the idea ‘the current compensation and benefit package provide an incentive for better performance’. The standard deviation 47.6 is between disagreed and strongly disagree. Also 7.3% and 8% of the respondents strongly agree and agree with the statement.

The remaining 13.6% of the respondent have no opinion. This implies majority of the employees ‘don’t accept the current scheme provide an incentive for better performance. The standard deviation is 52.09 between disagree and strongly disagree.

The above table indicates that the majority of the respondents 50.9% and 29.1% strongly disagree and disagree on the statement ‘compensation and benefits offered to the employee based on the employee performance’ respectively. 4.5%

of respondents have no opinion about the statement. The rest 10% of respondents agree and 5.5% of respondents strongly agree with the statement. And the standard deviations 39.37 is between no opinions and strongly disagree.

Furthermore, about 41.77% of the respondents strongly disagree and 22.22% of the respondents disagree with the statement 'the current compensation and benefit scheme has positive effect on employees' performance. From the above data 24.52% have no opinion, and the remaining 7.28% and 4.21% agrees and strongly agrees with the statement respectively. This implies that the compensation and benefit being offered to the employees have no positive effect on performance. Moreover the standard deviation 33.37 is between strongly agree and strongly disagree. The standard deviation 54.27 has shown between strongly disagree and no opinion.

On the other point 42.14% and 16.87% of the respondents were agree and strongly agree respectively with the statement 'the annual bonus is based on employee's performance'. And 9.19% of the respondents strongly disagree and 17.24% disagree with the statement. The 14.56% of the respondents have no opinion on the subject. This indicates that the bank grants annual bonus based on employee performance.

As presented in the above Table 53.25% of the respondents disagree and 15.35% of respondents strongly disagree respectively with the statement 'the bank rewards hardworking employees to sustain high performance'. Only 2.68% and 3.44% of the respondents agree and strongly agree with the statement.

The rest 25.4% of the respondents have no opinion. This result indicates that the bank didn't recognize its hard working employees.

Finally, 34.10% and 20.32% of the respondents disagree and strongly disagree with the statement 'the current scheme encourages employees to improve future performance'. And from the above data 13.02% of the respondents agree and 8.43 % strongly agrees with the statement. Moreover 24.13% respond with no opinion. The standard deviation is 26.05 between strongly agree and strongly disagrees.

## **CHAPTER FIVE**

### **5. SUMMARY, CONCLUSION & COMMENDATION**

This chapter deals with the summary of the findings, conclusions and recommendations of the study. The summary of findings includes the general information of respondents and their perception towards the items related to compensation and benefit policies of Dashen Bank S.C.

#### **5.1. SUMMARY OF MAJOR FINDINGS**

This study had four objectives. To evaluate the perception of employees towards overall compensation and benefit schemes of the bank, to assess whether compensation and benefit schemes are updated and communicated periodically, to identify the degree of compensation and benefit in enhancing employee performance and to identify the fairness of compensation and benefit scheme of Dashen Bank sc.

##### **5.1.1. GENERAL PROFILE OF THE RESPONDENTS**

When we see the respondents by gender, most of the respondents were Male and more than 23.6% from female respondents. In terms of age most of the respondents are between 25-34 years and more than 7.3% of 35-44 years old. With regards to Marital Status majority of the respondents are married and above 10% from single employees. And 1.6% of the respondents were divorced. In relation to educational level of the respondents the data revealed that that majority of respondents are first degree holders which are 75.1% of the respondents. In terms of position of the respondents 70.5% of them were professional employees or below management level of the bank organizational level.

Regarding to work experience majority of the respondents worked in the bank for the year between 2 up to 5 year and followed by those employees by worked above 10 years in the bank.

It can be understand from the general profile of majority respondents were male, young, married, first degree holders, professional and their work experience is below five years but more than two years.

### **5.1.2. Perception towards compensation and benefit**

The analysis of the items from likert's scale revealed that from the requested statement employees disagree/strongly disagree on the 77.78% of the statements. Among the statements respondents disagree/strongly disagree that the current compensation and benefits schemes implemented don't matches with the experience and qualification employees have. Moreover, employees do not participate in compensation and benefit decision process and from the given data majority of the respondents disagree on the idea that the bank uses employees' feedback for improvement. And also the respondents think the current compensation and benefit scheme does not help to attract and retain competent staff. However, employees assure that the bank has a written compensation and benefit schemes.

### **5.1.3. Periodically updating and communicating compensation and benefit schemes**

With regards to periodically updating and communicating compensation and benefit scheme the finding indicated that majority of the respondents disagree on the statement. As their response confirmed the scheme is not periodically informed to employees considering the change in industry. And on the same way the respondents did

not agree on the periodic evaluation of the effectiveness of compensation and Benefit packages. Furthermore, majority of the respondents disagree with the statement that compensation and benefit adjustment/change is made within a reasonable/logical time period.

#### **5.1.4. FAIRNESS OF COMPENSATION AND BENEFITS**

When we observe from the presented data, most of respondent responded strongly disagree on the fairness of compensation and Benefit of the Bank relative to other banks. On the other hand, majority of the respondents' responded that the Bank's compensation and benefit scheme is not adequate to cope with the cost of living. Moreover, employees also do not think that there is no appropriate payment for responsibility they attached. However, majority of the respondents agree that the compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of work.

#### **5.1.5.COMPENSATION AND BENEFIT RELATED TO PERFORMANCE**

Majority of the respondents disagree that the current compensation and benefit scheme provide an incentive for better performance. The data presented shows that the respondents disagree with payment being for performance. Also it was indicated that majority of respondents strongly disagree that the bank rewards hardworking employees to sustain high performance and from their response the scheme didn't encourages employees to improve future performance. However, the respondents agree on the annual bonus the bank paid based on performance.

## 5.2. CONCLUSIONS

Based on the Major Findings, the following conclusions were drawn.

The study looked at perception of employees towards compensation and a benefits scheme in Dashen Bank S.C. The first research objective is to investigate employee's perception towards the existing compensation and benefit scheme and to know the degree of compensation enhancing employees' performance. The study revealed that the perception of the majority of the respondents' was not satisfied towards the compensation and benefits scheme of Dashen Bank. It was concluded that employees are poorly satisfied with the existing compensation and benefit schemes of the company, as a result employees responded negatively to the compensation schemes adopted by the bank. It can be concluded that majority of the employees believe that the current compensation and benefit is not satisfactory and let them to cope with ongoing cost of life. Moreover majority of the respondents agree that the current compensation and benefit policies are not comparable from the other similar organization in the sector. Moreover the compensation and benefit scheme in Dashen with regards to enhancing employees' performance, the majority of the employees agree the scheme is not attached on the employees performance rather only annual bonus has been given on performance based. This might increase employee turnover and employees might not also doing their best to the company.

Finally, researcher has concluded that employees generally have a negative perception on the bank's compensation and benefit scheme. And these negative perceptions will affect the bank and currently there are many banks on the pipeline to be join the banking industry, so there may be high employee turnover.

## 5.2. RECOMMENDATIONS

Based on the findings of this research, the following is recommended to the management of Dashen Bank S.C

- The researcher recommended that the bank shall endeavor to enhance employees' perception towards compensation and benefit package by availing comparable scheme with the banking industry.
- The researcher recommended that employees actively engaging in decision making process to increase overall bank's moral. And also active employee involvement narrows the gap and clears the lines of communication between management line and professional employees. This creates a way to make better day to day decision, feel stronger bond of responsibility for making the decision and they will focus on future oriented problem solving rather than complaining their current problem on management.
- To avoid wrong perception and disagreement by the employees it is recommended that the compensation and benefit policies can be clearly updated and communicated to employees with job measurement base which will drive the much needed performance from the employees. Compensation and benefit shall not be a onetime issue and must to be evaluated periodically for effectiveness of the bank.
- The researcher recommended that, the current compensation and benefit scheme to be revised to achieve its objectives and motivate

employees towards better performance. Moreover, this benefited the bank to attract and retain competent employees considering the emerging many commercial banks to be join in the industry. Therefore, there is a need to design compensation and benefits scheme taking in to account the performance, experience, and qualification of employees.

- The researcher recommended also the compensation and benefit policies to be fair because employees who are fairly compensated tend to provide better customer service, which can result in bank's growth and development.
- Finally, one of the strategic pillars of the bank is build an inspired and engaged work force, thus the researcher recommended that to achieve this bank link its compensation and benefits with the strategic plan considering the current state of the banking industry.

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# Appendix

## Questionnaires

### ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE MBL PROGRAM

My name is **Behailu Fantaye**, I am attending Master in Business Leadership program at Addis Ababa University School of Commerce. Right now I am conducting project under the title of “**Employees’ perception towards Compensation and Benefit schemes: the case of Dashen Bank S.C**”. This questionnaire is designed to collect first-hand on the subject matter, your genuine response is highly valuable to conduct this study and then to arrive at valid results. I hereby request you to fill these questionnaires and give it back at the earliest time possible. Any information you present will keep absolutely confidential and will be used for academic purpose. I would like to thank you in advance for your effort and precious time to fill the questionnaires.

#### **General Instructions**

- There is no need of writing your name
- In all cases where answer options are available please tick () in the appropriate box.

#### **Contact Address**

If you have any query, please do not hesitate to contact me and I am accessible as per your convenience at (Mobile: 09-13-33-25-96 or e-mail: behailuf19@gmail.com).

**Thank you in Advance!!!**

## Section “A” General Profile of Respondents

### 1. Sex

Male                      Female

### 2. Age

Under 25         25-34         35-44         Above45  

### 3. Marital Status

Single         Married         Divorce  

### 4. Education Background

Primary school                         Undergraduate (1<sup>st</sup>degree)  

High school completed                         Post graduate (2<sup>nd</sup>degree)  

Diploma                         Other (please specify).....

### 5. Please specify your current position in the bank

Top level management                         Professional staff  

Middle level Management                         Line management  

other(please specify).....

### 6. How long have you been working in the Bank

Less than two years                         6-10years  

2-5 years                         above10years

## Section “B” DATA RELATED TO COMPENSATION & BENEFIT

Please indicate your level of agreement with the statements so that your answers to these questions will enable the researcher to assess what you think about the compensation and benefit schemes in bank, where: 5= strongly agree, 4=Agree 3=Neutral 2= Disagree 1= Strongly disagree

### A. Perception towards compensation and benefit

No	Perception towards Compensation and Benefit	1	2	3	4	5
1	The compensation and benefit distributed matches with my work experience and education I have					
2	Compensation and benefit scheme is comparable within the banking industry					
3	I know where to go for information inquiry related to compensation and benefits					
4	The current Compensation and Benefit scheme Support and facilitate achievement of the bank’s goals					
5	I participate in compensation and benefit decision					
6	The bank use employees feedback to make improvements in compensation and benefit					
7	The bank for which I am working has a written compensation and benefit scheme					
8	The current compensation and benefit package is capable of attracting and retaining competent employees					
9	Did you have plan to leave the bank in connection with the compensation and benefit scheme					

***B. Compensation and benefit related to period***

No	Compensation and benefit related to period	1	2	3	4	5
1	The Compensation and Benefit Schemes updated and communicated periodically					
2	The bank periodically evaluates the effectiveness of compensation and Benefit packages.					
3	Compensation and benefit adjustment is made within a reasonable/logical time period					

***C. Fairness of compensation and benefit***

No	<b>Fairness of Compensation and Benefit</b>	1	2	3	4	5
1	The bank's compensation and benefit scheme focus on the real need of the employee					
2	The amount of salary and benefit I received is fair relative to other banks'					
3	The current Compensation and Benefit scheme being offered by the bank are adequate to cope with the ongoing cost of Life					
4	Adequate payment is made for the responsibility I have been discharging					
5	Salary is fair in terms of work load and experience					
6	The bank's compensation and benefit scheme is managed to ensure that employees receive equal benefit for the same kind of Work					

***D. Compensation and benefit related to performance***

No	<b>Compensation and Benefit related to performance</b>	1	2	3	4	5
1	The current compensation and benefit package of the bank provides an incentive for better performance					
2	Compensation and benefits has been given to employee based on the employee performance					
3	The scheme has positive effect on employees Performance					
4	I get annual bonus based on my performance					
5	There is rewards in the bank for hardworking employees to sustain their performance					
6	The scheme encourages employees to improve performance					