VALUING EMPLOYEE PERFORMANCE THROUGH COMPENSATION MANAGEMENT PRACTICE IN NIGERIAN BANKS

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Abstract
The study’s general objective is to determine the influence of compensation management practices on the employee performance of Banks. The main research instrument used for the study was a questionnaire. A cross-sectional research design was employed. The population of the study comprises 700 employees of selected Banks, while a sample size of 255 was derived using Taro Yamani’s formula but 253 were returned and used for analysis. The reliability of the questionnaire showed a Cronbach Alpha value above 0.8 for all the constructs. Simple regression was used to test the hypotheses with the aid of Stata version 13 software. Correlation analysis showed that the constructs were positively correlated. Single regression was conducted to the formulated hypotheses and post-regression diagnostics tests were carried out to certify the regression model. The study finds that: Recognition has a significant effect on employees' performance in banks (Coef. = 0.587, p = 0.000). Pay has a significant effect on employees' performance in selected banks in Delta State (Coef. = 0.551, p = 0.000). The study concluded that fringe benefit is one of the ways to promote and retain an employee in the organization and management should be able to sense the active employees and create ways of appreciating the employee's effort put into action in the organization. The study provided that recognition is a form of compensation that boosts employee performance in the banking sector.

Keywords: Employee Performance, Compensation Management, Pay, Recognition.

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1. Introduction

In the global world of today, for any organization to have a competitive edge over its competitors, there must be in place a formidable compensation strategy to attract, and motivate people to join the firm (Amue and Igwe, 2014). This should also reduce the turnover intent of the employees. The need for organizations to develop a program that will facilitate employees’ performance-enhancing system leading to the best management and development of employees and thus increase their competitive advantage has made the links between human resource
management and organizational performance a prominent issue in the field of human resource management across the core functional areas of human resource practices (Bernadin 2005). These practices range from staffing, performance appraisals, training and development, manpower planning, workers management participation, and compensation management. Compensation Management is one of the most complex and dynamic issues in the field of human resource management. For an organization to achieve its stated objectives, there is the need to effectively manage the human resources aspect of the organization, taking into cognizance one of the core aspects of resource management known as compensation management (Bernadin 2005). The ability of a manager to achieve their stated objectives and maintain a strategic position to a large extent depends on the effective implementation of compensational packages to motivate the subordinates and employees within and beyond their expectations (Kifordu & Uroko, 2023).

Key factors that determine employee motivation are satisfaction, recognition, appreciation, inspiration, and compensation (Siemsen, Balasubramanian & Roth, 2007). Organizations that recognize the importance of motivating employees often implement strategies that consistently motivate their employees to achieve the organization's objectives. Such strategies for improving motivation include compensation, employee participation, feedback, and work environment which ensure that employees’ needs and requirements are met (Siemsen, et al., 2007) and argue that the thought of incentive is in itself motivational most motivation comes from anticipation than the delivery of the incentive itself.

The Problem

The cost of doing business in Nigeria is so high and firms have observed that a greater percentage of their cost is staff cost. Most firms cannot afford to spend their hard-earned profits on those that are contributing little or nothing to their profit. Servicing firms are not charitable organizations; every staff must add value and must earn his/her basic pay. They must justify their continuous stay with the organization. Hence, servicing firms are investigating the best ways to effectively manage their employees for effective performance. According to the then governor of the Central bank, Professor Charles Soludo, Nigerian banks lacked the capacity and size to compete in the emerging world global banking, and the Nigerian banking system was very marginal relative to the potentials of the economy and in comparison to other countries.
even in Africa (Financial Standard, August 29, 2005) as cited in Ajogwu, 2011). Given the low financial state, the study seeks to access the effect of compensation management in improving the employees’ performance. Compensation management has been one of the major policies used in motivating employees in the private sector. Compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. Other aspects of compensation which make up the total compensation package for the employee are not given much attention. The study emanates from the need to effectively manage the employees both at the managerial cadre and the lower cadre of the management for an effective result through compensation management. Therefore, the problem the researcher intends to investigate is to understand how compensation management influences employee performance.

Study Objectives

I. Ascertain the impact of recognition on employee performance.

II. Find out the influence of basic pay on employee performance.

Research hypotheses

H01: There is no significant relationship between recognition and employee performance.

H02: There is no significant relationship between basic pay and employee performance.

2. Review of Related Literature

Concept of Compensation Management

Compensation refers to all the provided tangible and intangible rewards an employee receives from the employer as part of the employment relationship. The Society for Human Resource Management (Steven, Guy, and Arindam, 2011) has defined compensation as a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes like assisting in recruitment, job performance, and job satisfaction. It can be said that compensation is the “glue” that binds the employee and the employer together in the organized sector, which is further codified in the form of a contract or a mutually
binding legal document that spells out exactly how much should be paid to the employee and the components of the compensation package. Rewards and benefits are also types of compensation programs that are important for employees (McNamara, 2008).

**Financial Compensation**

Financial compensation is also known as compensation that is concerned with monetary terms which comprises financial rewards and financial incentives. According to Armstrong (2003), “Financial rewards provide financial recognition to people for their achievements in the shape of attaining or exceeding their performance targets or reaching certain levels of competence or skill while financial incentives aim at motivating people in achieving their objectives, improve their performance or enhance their competence or skills by focusing on specific targets and priorities” (Armstrong, 2003).

**Employee’s performance**

Employee performance can be defined as the efficiency with which an association can meet its objectives. This means an organization that produces a desired effect or an organization that is productive without waste (Ogunbajo, 2012). Employees’ performance is about each individual doing everything they know how to do and doing it well; in other words, organizational efficiency is the capacity of an organization to produce the desired results with a minimum expenditure of energy, time, money, and human and material resources. The desired effect will depend on the goals of the organization, which could be, for example, making a profit by producing and selling a product. An organization, if it operates efficiently, will produce a product without waste, Kifordu, & Iwelu, (2022). Ethnic Diversity Management. If the organization has both employees performance and efficiency, it will achieve its goal of making a profit by producing and selling a product without waste. In economics and the business world, this may be referred to as maximizing profits through continuous production (Kifordu, Odita & Nwankwo 2022).
Recognition and Employee Performance

Another often-used tool to motivate employees is recognition. Indeed, it can be a powerful reinforcer that affects people’s performance. Employee not only wants to know how well they performed but also desires the feeling that their effort is appreciated. Recognition is a reward for employees' performance that is defined as "acknowledgment, approval and genuine appreciation (not phony praise)” (Luthans & Stajkovic, 2000). There are several ways in which recognition can occur. It can be verbal or written praise, formal or informal, administrated in public or privately. Research shows that recognition indeed has a positive influence on employees’ motivation. The most often-used form of recognition is verbal praise. Personality might be an important factor that creates people’s preferences about the form of recognition. Some people may be proud to be honored in front of a wide public, whereas others might be simply embarrassed. The main and most important finding of this study is that a great part of employees agrees that recognition motivates them and affects their performance. Summarizing, recognition can be a powerful tool used to motivate employees. It is desired by employees and significantly increases their performance. Some authors (Luthans & Stajkovic, 1999) suggest that social reinforcers such as recognition may affect employees' performance at the same level as pay.

Basic Pay and Performance

According to Armstrong (2006), basic pay is the amount of pay that constitutes the rate for the job. The base pay also serves as the benchmark against which bonuses/allowances and benefits are calculated. It may vary according to the grade of the job or the level of skill required and is influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation while external relativities are assessed by tracking market rates. Other times, levels of pay may be agreed upon through collective bargaining with trade unions or by reaching individual agreements. The base rate may be adjusted to reflect increases in the cost of living or market rates by the organization, unilaterally, or by agreement with a trade union. Basic pay is typically used by employees for ongoing consumption. Many countries dictate the minimum base salary defining a minimum wage, individual skills, and the level of experience of employees.
Empirical Review

Ahmed & Ali (2008) researched the "impact of reward and recognition programs on employee motivation and satisfaction". The research design used was exploratory. The sample chosen for the study was 80 employees of Unilever companies and the data collection instrument used was a questionnaire. Pearson’s correlation was used to analyze data to determine the degree of relationship between reward and satisfaction and motivation.

Major findings indicated a positive relationship between rewards and work satisfaction as well as motivation. Factors affecting satisfaction were identified; payment 86%, promotion 74%, work conditions 61%, and personal 37%. Analysis showed support for a positive relationship between reward and employee satisfaction. The researchers recommended that further studies can be done on the 'impact of reward and recognition on motivation and satisfaction for diverse groups of people example gender, race, and disability.

Duberg & Mollen (2010) undertook a study on reward systems within the health and geriatric care sector. The problem of the study was how reward systems designed in health and geriatric care areand whether the current reward systems affect the care quality. The thesis aimed to extend the knowledge of reward systems in health and geriatric care and know how these systems are designed and what their effects on the quality of health and geriatric care are. The methodology took a qualitative approach and interviewed a sample of six leaders in both private and public organizations. Two of the leaders worked in geriatric care and four in health care. The theoretical framework was based on scientific literature about motivation and reward systems. Also, literature specifically about wage conditions in the healthcare sector and the public sector was used.

Findings showed that salary is an important aspect of the reward system; however other incentives like bonuses/allowances and shares were seen to generate an enjoyable workplace and happy workers than motivate employees to be more efficient. Results showed that conditions for working with reward systems in the public sector are limited due to the lack of resources and complex large organization structures with old traditions. This must be reconsidered to be able to work with well-designed reward systems.
systems similar to those in private care organizations. The researcher recommended that further studies should be done to compare reward systems and investigate their impact on an organization with one that does not.

**Theoretical Framework**

**Content Theory**

These theories attempt to explain the specific things which motivate the individual at work. These theories are concerned with identifying people’s needs and their relative strengths and the goal they pursue to satisfy these needs. These theories emphasize the nature of the needs and what motivates individuals. The basis of these theories is the belief that the content of motivation consists of needs (Mullin, 2005). It is essentially about acting to satisfy needs and identify the main needs that influence behavior. An unsatisfied need, therefore, creates tension and a state of disequilibrium and to restore balance, a goal that will satisfy the need should be identified, and a behavior pathway that will lead to the achievement of the goal is selected. Not all needs are important to an individual at a time; some may provide a much more powerful drive toward a goal than others. This is dependent on the background and the present situation of the individual. The complexity of needs is further increased because there is no simple relation between needs and goals. The same need can be satisfied by several different goals, the stronger the need, the longer its duration, and the broader the range of possible goals (Armstrong, 2006).

**Process Theory**

These theories are extrinsic and they attempt to identify the relationships among the dynamic variables which make up motivation and the actions required to influence behavior and action. They provide a further contribution to our understanding of the complex nature of work motivation (Mullins, 2005). Process theory on the other hand is also known as cognitive theory because it is concerned with people's perceptions of their work environment, and how they interpret and understand it. According to Guest, process theory provides a much more relevant approach to motivation than Maslow and Herzberg which he suggests, have been shown by extensive research to be wrong. Cognitive theory can certainly be more useful to managers than need theory because it provides more realistic guidance on motivation techniques (Armstrong, 2006).
3. Methodology

Research Design

The cross-sectional research design method was employed because it is concerned with the collection and analysis of data to describe, evaluate, or contrast the current prevailing practices, events, or occurrences. The population of this study is 700 employees of the selected banks in Nigeria. The sample size of the study is the proportion of individuals drawn from the population to examine the impact of job stress on employees’ performance in the banks using a sample size of two hundred and fifty-five (255) was used for the research work as shown below.

**Table 1:** Allocation of Sample Size to Selected Banks and Branches

<table>
<thead>
<tr>
<th>BANKS</th>
<th>ASABA</th>
<th>Warri Branch</th>
<th>Sapele Branch</th>
<th>Ughelli Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZENITH</td>
<td>37/700*255=13</td>
<td>32/700*255=12</td>
<td>31/700*255=11</td>
<td>28/700*255=11</td>
</tr>
<tr>
<td>UBA</td>
<td>34/700*255=12</td>
<td>42/700*255=15</td>
<td>32/700*255=12</td>
<td>20/700*255=7</td>
</tr>
<tr>
<td>ECO</td>
<td>27/700*255=10</td>
<td>31/700*255=11</td>
<td>31/700*255=11</td>
<td>27/700*255=10</td>
</tr>
<tr>
<td>FIRST</td>
<td>28/700*255=11</td>
<td>39/700*255=14</td>
<td>28/700*255=11</td>
<td>30/700*255=11</td>
</tr>
<tr>
<td>FIDELITY</td>
<td>24/700*255=9</td>
<td>30/700*255=11</td>
<td>25/700*255=9</td>
<td>21/700*255=8</td>
</tr>
<tr>
<td>DIAMON</td>
<td>28/700*255=11</td>
<td>25/700*255=9</td>
<td>25/700*255=9</td>
<td>16/700*255=6</td>
</tr>
</tbody>
</table>

4. Data Analysis

This section is concerned with analyzing the primary data sourced from the field survey to determine the pattern of responses using simple percentages depicted and a regression analysis approach to examine the relationship that existed among variables.
Table 2: Recognition

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statement</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SA 5</td>
</tr>
<tr>
<td>1.</td>
<td>Recognition is a reward for employees’ performance in acknowledgment, approval and genuine appreciation.</td>
<td>80 (31.6)</td>
</tr>
<tr>
<td>2.</td>
<td>Written praise show high level of performance.</td>
<td>90 (35.6)</td>
</tr>
<tr>
<td>3.</td>
<td>The most often-used form of recognition is a verbal praise.</td>
<td>88 (34.8)</td>
</tr>
<tr>
<td>4.</td>
<td>Personality is the important factor that creates people's preferences about the form of recognition.</td>
<td>70 (27.7)</td>
</tr>
</tbody>
</table>

Source: Analysis of field survey, 2023

Table 2 above indicated the recognition and employees’ performance. Recognition is a reward for employees’ performance in acknowledgment, approval, and genuine appreciation. Statement 1 shows that 145 (57.3%) of the respondents agreed, 38 (15.0%) were undecided and 70 (29.3%) disagreed. In statement 2 Written praise shows a high level of performance, 170 (67.2%) agreed, 15 (5.9%) were undecided rates and 68 (26.8%) were the disagreement rates. Statement 3 The most often used form of recognition is verbal praise. 160 (63.3%) of the respondents agreed, 12 (4.7%) were undecided and 81 (32.0%) disagreed. In statement 4, Personality is the important factor that creates people's preferences about the form of recognition, 154 (60.9%) agreed, 28 (11.1%) were undecided and 71 (28.1%) disagreed.
Table 3: Basic Pay

<table>
<thead>
<tr>
<th>S/N</th>
<th>Statement</th>
<th>Scale  SA</th>
<th>Scale  A</th>
<th>Scale  U</th>
<th>Scale  D</th>
<th>Scale  SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>My performance is enhanced by pay</td>
<td>90 (35.6)</td>
<td>77 (30.4)</td>
<td>20 (7.9)</td>
<td>30 (11.9)</td>
<td>36 (14.2)</td>
</tr>
<tr>
<td>6.</td>
<td>Pay to motivate me to perform</td>
<td>60 (23.7)</td>
<td>73 (28.9)</td>
<td>28 (11.1)</td>
<td>44 (17.4)</td>
<td>48 (19.0)</td>
</tr>
<tr>
<td>7.</td>
<td>Pay encourage high-level performances of employees</td>
<td>65 (25.7)</td>
<td>79 (31.2)</td>
<td>20 (7.9)</td>
<td>49 (19.4)</td>
<td>40 (15.8)</td>
</tr>
<tr>
<td>8.</td>
<td>Paying is a vital factor that affects employees’ motivation</td>
<td>86 (34.0)</td>
<td>84 (33.2)</td>
<td>35 (13.8)</td>
<td>28 (11.1)</td>
<td>20 (7.9)</td>
</tr>
</tbody>
</table>

Source: Analysis of field survey, 2023

Table 3 above, shows the relationship between pay and employees’ performance, It was revealed in statement 5 My performance is enhanced by pay, 167 (66.0%) of the respondents agreed, 20 (7.9%) were undecided while 66 (26.1%) disagreed. In statement 6 Basic Pay motivates me to perform. 133 (52.6%) of the respondents agreed, 28 (11.1%) were undecided and 92 (36.4%) were in disagreement. Statement 7 Pay encourages high-level performances of employees, 144 (56.9%) of the respondents agreed, 20 (7.9%) were undecided and 89 (35.2%) disagreed. Statement 8 Paying is a vital factor which affects employees’ motivation, 170 (67.2%) agreed, 35 (13.8%) were undecided and 48 (19.0%) disagreed.

Test of Hypotheses

Hypothesis One

**Ho: There is no significant positive relationship between Recognition and employees’ Performance**

Table 4.: Recognition and Employees’ Performance

<table>
<thead>
<tr>
<th>source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 253</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>79,812,943.1</td>
<td>1</td>
<td>79,812,943.1</td>
<td>F( 1, 251) = 183.14, Prob &gt; F = 0.0000, R-squared = 0.4218, Adj R-squared = 0.4195</td>
</tr>
<tr>
<td>Residual</td>
<td>109,388,638</td>
<td>251</td>
<td>435,811,306</td>
<td>Root MSE = 0.66016</td>
</tr>
<tr>
<td>Total</td>
<td>189,201,581</td>
<td>252</td>
<td>750,799,925</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>dep</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>t</th>
<th>Prob &gt;</th>
<th>[95% Conf. Interval]</th>
</tr>
</thead>
<tbody>
<tr>
<td>rec</td>
<td>0.5878166</td>
<td>0.0434365</td>
<td>13.53</td>
<td>0.0000</td>
<td>0.5022702, 0.6733629</td>
</tr>
<tr>
<td>cont</td>
<td>1.861875</td>
<td>0.1721288</td>
<td>10.82</td>
<td>0.0000</td>
<td>1.522875, 2.200876</td>
</tr>
</tbody>
</table>

Source: Researcher’s computation, 2023
The regression result in Table 4 above, showed that recognition has a significant effect on employees’ performance in selected banks in Delta State. (Coef. = 0.587, p = 0.000). The p-value = 0.00 at a 1% level of significance for recognition, hence we reject the null hypothesis and accept the alternate hypothesis which states that recognition has a significant effect on employees’ performance in selected banks in Delta State (Coef. = 0.587, p < 0.05).

As indicated in Table 4 above, Adj. The r-Squared of the models is 0.41 implying that a 41% change in the dependent variable (employee’s performance) is brought about by the independent variable (recognition).

Hypothesis Two

**Ho:** There is no significant positive relationship between Basic pay and employees’ Performance.

Table 5: Basic Pay and Employees’ Performance

<table>
<thead>
<tr>
<th>Source</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>Number of obs = 253</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>66.7029495</td>
<td>1</td>
<td>66.7029495</td>
<td>F (1, 251) = 136.67</td>
</tr>
<tr>
<td>Residual</td>
<td>122.498632</td>
<td>251</td>
<td>0.488042357</td>
<td>Prob &gt; F = 0.0000</td>
</tr>
<tr>
<td>Total</td>
<td>189.201581</td>
<td>252</td>
<td>0.730799925</td>
<td>R-squared = 0.3500</td>
</tr>
<tr>
<td>Adj R-squared</td>
<td></td>
<td></td>
<td></td>
<td>ROOT MSE = 0.6985</td>
</tr>
</tbody>
</table>

As indicated in Table 5 above, Adj. The r-Squared of the models is 0.35 implying that a 39% change in the dependent variable (employee’s performance) is brought about by the independent variable (basic pay).
5. Discussion of Findings

Recognition has a significant effect on employees’ performance in selected banks in Delta State (Coef. = 0.587, p = 0.000). The test of hypothesis shows that recognition has a significant effect on employees’ performance in selected banks in Delta State. The result is in alignment with Luthans & Stajkovic, (2000) who found that a significant positive relationship exists between recognition and employees' performance, that an employee not only wants to know how well he performed but also desires the feeling that his effort is appreciated. Recognition is a reward for employees' performance that is defined as "acknowledgment, approval and genuine appreciation (not phony praise)". Recognition can be a powerful tool used to motivate employees. It is desired by employees and significantly increases their performance.

It was found in the regression result in Table 5 above that basic pay has a significant effect on employees' performance (Coef. = 0.551, p = 0.00). The test of the hypothesis further shows that basic pay has a significant positive effect on employees' performance. The findings are in agreement with Mulvey et al.(2002) that there is a significant positive relationship between basic pay and employees' performance, stating that poor pay translated to low job satisfaction, which in turn is related to low degrees of work engagement.

6. Conclusions

The purpose of the study was to determine the effect of compensation management on employees’ performance in selected banks in Delta State. The study concludes that recognition has a significant positive effect on employees’ performance in the banking sector. The implication is that employees will work and perform better to be recognized in their institution. A great part of employees agrees that recognition motivates them and affects their performance. Employee not only wants to know how well they performed but also desires the feeling that their effort is appreciated. Basic Pay has a significant positive effect on employees’ performance, implying that employees will work and perform better when paid regularly for their work done. The employees appreciate regular payment and it motivates them towards optimum performance.

These theories attempt to explain the specific things which motivate the individual at work. These theories are concerned with identifying people’s needs and their relative
strengthsand the goal they pursue to satisfy these needs. These theories emphasize the nature of the needs and what motivates individuals. The basis of these theories is the belief that the content of motivation consists of needs (Mullin, 2005). It is essentially about acting to satisfy needs and identify the main needs that influence behavior. An unsatisfied need, therefore, creates tension and a state of disequilibrium and to restore balance, a goal that will satisfy the need should be identified, and a behavior pathway that will lead to the achievement of the goal is selected. Not all needs are important to an individual at a time; some may provide a much more powerful drive toward a goal than others. This is dependent on the background and the present situation of the individual. The complexity of needs is further increased because there is no simple relation between needs and goals. The same need can be satisfied by several different goals, the stronger the need, the longer its duration, and the broader the range of possible goals (Armstrong, 2006).

**Recommendations**

I. Recognition is used by management to relate to employees’ stability in the organization.

Management should also encourage them with awards and gifts for them to be happy and put all their best efforts into the organization's objectives and goals.

II. Basic Pay is one of the motivational tools, organizations used as internal and external controllable affairs of the organization to appreciate the effort of the employees.
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