COMPENSATION SYSTEMS AND EMPLOYEE PERFORMANCE IN MICROFINANCE INSTITUTIONS IN NYERI COUNTY, KENYA.

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JUNE, 2018
DECLARATION

This project is my own original work and has not been presented to any university or institution of higher learning for examination for the award of a degree in any university.

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This research project has been presented for examination with my approval as Kenyatta university supervisor.

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DEDICATION

I dedicate this work to my son Gad and my daughter Octavia.
ACKNOWLEDGMENT

The accomplishment of this work has been successful through the continued technical assistance of my supervisor Dr. Waithaka. I thank my employer for providing time and creating conducive environment for the study. The encouragement and resilient of my family through the tasking duration cannot go unacknowledged. I am indebted to my colleagues for their moral support and encouragement.
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<tr>
<td>BPR</td>
<td>Business Process Re-engineering</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>MFI</td>
<td>Micro finance institution</td>
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<td>NACOSTI</td>
<td>National Commission for Science, Technology and Innovations</td>
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<td>NGO</td>
<td>Non-governmental organizations</td>
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<td>OECD</td>
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OPERATIONAL DEFINITION OF TERMS

**Bonuses**
Is a form of payment either through cash or shares to the employees based time worked and volume of work.

**Commission**
Amount paid monthly to employees other than salary based on Skills or level of output.

**Compensation**
It is the total cash and non-cash payments that you give to an employee in exchange for the work they do for your business.

**Compensation Systems**
These are salary payment, job promotions, bonuses and commissions.

**Employee Performance**
These are the number of units produced or service given by a particular employee and time taken to do a certain work.

**Job Promotion**
Is a form of compensation where employees are awarded through job change or position change vertically.

**Performance**
It comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

**Salary**
It is a systematic fixed money payment that an employee earns for performing work during a specific period of time.
ABSTRACT

Compensation and benefits are two of the best tools for companies to recruit and retain quality employees. Enticing benefits and compensation also help existing employees stay motivated to excel each day at work. This study analyzed the influences of compensation systems on employee performance in the MFIs. The study guided by specific objectives which are to establish how salary, commissions and bonuses affect the employee performance of deposit micro finances in Nyeri. The study sought to answer various research questions to ascertain influences of compensation systems on employee performance of MFIs in Nyeri County. The study was guided by the following theories: Agency Theory, Equity Theory and Maslow Hierarchy of Needs Theory. The study adopted a descriptive survey design. The target population of the study was drawn from all deposit taking MFIs operating in Nyeri Central Sub-County. There are 15 registered deposits taking MFIs in Nyeri Central Sub-County. The respondents under consideration were managers, supervisors and employees in the micro finance institutions numbering 389. Systematic simple random sampling was applied to get the respondents. Every second respondent was provided with a questionnaire for a period of at least 5 days in every MFI to arrive at a sample size of 189 respondents. Primary data was collected by use of semi-structured questionnaire. Upon collection of data, it was checked for completeness, consistency and errors. The data was further coded and entered for analysis using SPSS. The results of the study were presented using tables and figures. The study found that the variable that influenced the employee performance most is the salary of the employee. The payment of salaries to employees based on performance was highlighted as the most dominant form of compensation as well as the pay on a monthly basis reviewed occasionally. It can be concluded that salary greatly influences employee performance. The study concluded that commission significantly influences employee performance. The study concluded that bonuses to a great extent influences employee performance. The study also concluded that to a great extent job promotion influences performance of microfinance institutions in Kenya. The study recommends that firms should consider reviewing the salary pay on a yearly basis. The study also recommends that firms should consider finding a way of paying bonuses based on the time period one has worked in an organization. Finally the study recommends that microfinance institutions should promote their employees by changing their job roles and tasks.
CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

It is widely acknowledged that one of the most critical human resource problems in any organization is how to influence employee performance. Given the complex nature of reward strategies that influence various forms of employees behavior, it follows that understanding the role of different reward strategies on employees performance can assist human resource managers in designing and implementing an effective reward strategy that will give an organization a competitive edge (Ndung’u & Kwasira, 2010). Increasingly, organizations are realizing that they have to establish an equitable balance between the employee’s contribution to the organization and the organization’s contribution to the employee. Establishing this balance is one of the main reasons for reward strategies (Aslam, Ghaffar, Talha, & Musthaq, 2015).

According to Agyare, Yuhui, Mensah, Aidoo, and Opoku (2016), a milestone in the success of an organization is to fulfill the continuous changing needs of organization and employees; heavy responsibility falls on top management to develop strong relationship between them. Organizations expect employees to follow the rules and regulations, work according to the standards set for them; the employees expect good working conditions, recognition, fair treatment, career growth, and involvement in decision making (Nyaribo, 2016). These expectations of both parties vary from organization to organization. For organizations to address these expectations, an understanding of employees’ motivation is required (Walela & Okwemba, 2015). Therefore, an organization should know why its
employees come to work on time, stay with the organization for their working life and remain productive (Gyimah, 2011).

Compensation is one of the most important elements which motivate employees to contribute their best effort to generate innovative ideas that lead to better business functionality and further improve company performance both financially and non-financially. According to McKim and Hughart (2005) there are other means to reward employees that do not just focus on financial compensation. Some of these include the appraisal that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. Much research on leader power have found that supervisor reward power would be positively associated with employee task performance, productivity, satisfaction, turnover, and organizational citizenship behaviors (Ahmed, Ullah, & Ahmed, 2015).

Employees will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, training and development opportunities, job security, and company’s overall policies and procedures for rewarding employees. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance. The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Nyaribo, 2016).

A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there
is a strong link between their performance and the reward they receive (Gerhart, Minkoff & Olsen, 1995). In other words, the compensation system (e.g. profit sharing) contributes to performance by linking the interest of employees to those of the team and the organization, thereby enhancing effort and performance (Siramiati, Hadiwidjojo, & Rohman, 2009). According to Nelson and Spitzer (2002) although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, there is a change that the essence of the reward would be forgotten.

One way used by management to improve the performance, to motivate and to increase employees’ job satisfaction is through compensation (Walela & Okwemba, 2015). Basically, compensation is something that employees received as remuneration for their work. Mwangi (2014) says that compensation in the form of financial is important for the employees, because with the compensation they can directly fulfill their needs, especially the needs of physiology. However, the employees must also hope that it receives compensation in accordance with the sacrifice that has been given in the form of nonfinancial also very important for the employees especially for their career development.

To improve the performance of employees was not only through financial compensation alone but also through non-financial compensation. In Maslow’s theory of motivation by the (Ndung’u & Kwasira, 2012) that financial compensation is only effective to improve the performance, especially for employees who are new to the work and the employees received a lower level. But for long-time employees and employees working at middle to upper levels, they actually require more nonfinancial compensation. Non-financial
compensation in the form of awards for their work performance, providing the opportunity for self-actualization, etc. In detail, nonfinancial compensation is comprised of; Employment. Non-financial compensation from the challenging work tasks interesting, responsibility, and recognition.

### 1.1.1 Employee Performance

Employee performance impinges on the organization’s performance (Ahmed et al., 2015). Employee performance is defined as the completion of actions with the skills with the outcome contributing to achievement of organizational goal (Ombima, 2014). Swasto (1996) added that employee performance is the actions or the completion of errands that were done by individuals within specific period of time to achieve organizational goal. Mwangi (2014) noted that employee performance is a mutual result of efforts, motivation, abilities and perception of tasks. This means that employee apart from employees’ abilities and skills, motivation, efforts and perception of tasks are important. These factors are directly influenced by how well the organization compensates the employees (Nelson Waweru&Sprakman, 2012).

Measuring performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. “What gets measured and rewarded gets attention” (Kirubi, 2014). In discipline of human resource management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and
achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Muchiri, 2016).

The management of individual performance within organizations has traditionally centered on assessing performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central (Njanja, Maina, Kibet, & Njagi, 2013).

Human resource policies and practices indeed do affect organizational as well as individual performance. Job satisfaction for example, has for a long time been seen as key to affecting business performance as well as commitment. In addition researchers have also identified motivation as the mediating mechanism and some identify trust and morale. In spite of more recent attention to commitment, motivation is still considered to be an important influence to performance (Okoth, 2014).

1.1.2 Compensation Systems
Compensation is undoubtedly the most important communication element within an organization. It involves a number of methodologies and philosophies. As Milton Rock (1984) has stated, it is one of the great challenges to management, requiring the creation of “an environment which stimulates people in their jobs” (Duda, 1987). Employee compensation is an important factor in performance of any organization (NnajiHedinmah&Egbunike, 2008). Compensation is job rewards to employees and includes salary given to employees, bonuses and commissions advance to employees. Greater job satisfaction resulting from job rewards ensures employees focus on their
tasks thereby increasing their productivity (Muchiri, 2016). A sound compensation system has the ability to attract the right kinds of human resource (Gerhart et al., 1995). The fit between employee performance and compensation system characteristics are proven to be important (Ali, Edwin & Tirimba, 2015). The distinguished pay factors are fixed pay and performance based pay, tangible benefits and non-tangible benefits, rigid benefit plans and flexible benefit plans, skill based pay and job based pay.

Employee compensation is an extrinsic motivator (EK & Mukuru, 2013). However recent research by Nassazi (2013) found considerable evidence that higher salaries directly affect job performance. They argue that in the case that labor turnover is costly for an organization (because of severance, training and hiring costs), firms could pay higher wages to decrease quit rates and save on turnover costs, which could be costly in financial institution such as microfinance institutions. These statements are confirmed by Reddy and Karim (2014); they argue that compensation factors such as salaries are the most important motivational factor in organizations. Al-Ameryeen (2015) concluded in his study that, job applicants believe that pay is the most important attribute in seeking employment. Therefore, lowering wage levels to market parity reduce worker productivity and increases employees turnover in organizations (Sajuyigbe, Olaoye, & Adeyemi, 2013).

Salary is an important aspect of employee compensation since also affect the retirement benefits (Kenya, 2009). Employees need to feel the hard work they put into their job matches what they are paid as salary. Okoth (2014) reported 25 percent of employees say fair compensation is the single most important thing they want from their organization. An appropriate salary scale for employees is therefore necessary for better performance
of employees in microfinance institutions. However its influence in microfinance institutions has not been assessed and this study aims at investigating.

According to Mamdani and Minhaj (2004) commission refers to employees’ earning that is based on volume or some form of performance. Commissions are used to shift risk from the employer to the employee. Employees with a job in sales make base salary and often a sales commission for meeting or exceeding particular sales targets. A sales commission is additional compensation the employee receives for exceeding expectations. Employers pay employees a sales commission to incentivize the employees to produce more sales and to reward and recognize people who perform most productively. The sales commission has proven to be an effective way to compensate sales people and to promote more sales of the product or the service (Osibanjo, Adeniji, Falola, & Heirsmac, 2014). This study intends to investigate in which ways microfinance awards commissions to its employees and the extent it influences performance of microfinance institutions.

Bonuses refer to employees’ earnings as rewards for special achievements, improving productivity and raising profits (Karim, 2014). Condly and Clark (2003) observed that bonuses work like investments, wherein rewarding a bonus to an employee will usually increase the employees’ work input and simply encourage them to work better in the future. Rewarding the employees now and then will increase their due diligence considerably, and hence increase the overall input from the manpower in the organization itself. When an employee of a micro finance institution is rewarded a bonus for doing good work, it will obviously encourage him/her to continue doing quality work. This is because according to Tucker and Miles (2004) bonuses motivate employees to raise their performance to meet business goals. A firm might want the employees to lower production costs, for example, or eliminate waste in the materials
they use, increase deposits, get more customers among others. Organizations might give cash or non-cash bonuses as incentives. Bonuses can serve as an important tool for small businesses such as microfinance institutions, which have smaller staffs and a smaller reservoir of talents than larger firms, helping ensure employee loyalty and reducing turnover (Gyimah, 2010). There is therefore need to explore various bonuses and reward given to employees in microfinance and empirically assess the extent to which they influence performance of employees in microfinance institutions.

1.1.3 Microfinance Institutions in Nyeri County

Microfinance institutions play important role in providing additional financial services to the public. According to Otero (1999) microfinance is the provision of financial services to low income poor and very poor self-employed people. They spur economic development by encouraging micro investments and improving standards of living (Mwangi, 2014).

According to the Central Bank of Kenya 2015 Annual Report, by December 2014 there was a total of 5,350 MFIs in the country. Such high number of MFIs is due to the criteria adopted by the Central Bank (CBK, 2015). In Kenya, the microfinance sector is composed of commercial banks, development finance institutions, and deposit-taking and non-deposit-taking microfinance institutions. Performance of microfinance therefore, is an important factor in development of a country. Attainment of organizational goal is the reason for existence of all organization including microfinance institutions. The most important resource in attainment of organization goal is human resource (Reddy, 2014). Therefore the utilization and performance of each employee has a direct bearing on the extent to which an organization, such as a microfinance institution, will achieve its goal.
Nyeri is a town situated in the Central Highlands of Kenya. It is the county headquarters of Nyeri County. The city happens to be the central administrative headquarters of the country's former Central Province. Following the dissolution of the former provinces by Kenya's new constitution on 26 August 2010, Nyeri is now the largest city in the newly created Nyeri County. The city is situated about 150 km (a two-hour drive) north of Kenya's capital Nairobi, in the country's densely populated and fertile Central Highlands, lying between the eastern base of the Aberdare (Nyandarua) Range, which forms part of the eastern end of the Great Rift Valley, and the western slopes of Mount Kenya. The city population, according to the 2009 Kenya Population and Housing Census, was estimated at 225,357.

According to the CBK, 2015) there are twenty four deposit-taking MFIs licensed by the Central Bank of Kenya (CBK) and regulated under the microfinance act 2006. Fifteen of the MFIs operate in Nyeri Central Sub-County. These are Kenya industrial estate ltd.(k.i.e), K-rep development agency, Uwezo deposit taking microfinance limited, Biashara sacco, Kenya women finance trust (kwft), Young women Christian association (ywca), Agriculture finance corporation (afc), Business initiative management assistance services (Bimas), Taifasacco, Small and micro enterprise programme (smep), Faulu Kenya, Wananchisacco, Mwalimusacco (Nyeri), Nyeri teachers sacco and Jamii bora. All these microfinance provide financial services to lower and middle income earners in Nyeri central sub-county. The presence and sustained operations indicate members value microfinance institutions performance.

1.2 Statement of the Problem

Microfinance institutions (MFIs) play a vital role in the economic development of developing countries. They offer loans and/or technical assistance in business development to low-income communities in developing countries (Hartungi, 2011).
Research reveals that approximately 4 million Kenyans depend entirely on Microfinance Institutions (Kirubi, 2014). Despite the increase in the number of MFIs in Nyeri Central Sub-County for the last 10 years, the same has not been reflected in the increase in the compensation strategies used to retain some of the talented workforce (County choice, 2016). According to Kwamboka, (2011) poor compensation is observed to be a barrier to employee performance in the financial institutions and thus most of the MFIs are unable to retain the most experienced staff hence losing them to the commercial banks.

Equitable and fair reward and compensation are paramount to employee satisfaction and hence employee performance in MFIs.

According to a study by Aslam et al., (2015) on effects of compensation on productivity, employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for. Another research by Yukl and Latham, (2015); Latham and Pursell, (2010); Yukl, Wexley and Seymour, (2012) on contributions of salary to employees performance found out that, the incentive wage / salary does not give consistent results on the performance of the employees.

According Sentono (2009) on effects of compensation procedures on performance, performance will be well when the employees are paid or the salary is in accordance with the agreements. The results are consistent with a recent study conducted by Benjamin, (2012) with the title Explaining Outsourcing Performance In Uganda’s Commercial Banks, which found out that the financial compensation is very influential on the performance of outsourcing employees in commercial banks in Uganda. Another study also conducted by Ahmad (2012) entitled causes on Increasing demand of outsourcing employees and its impact on Pakistan business, the results showed no positive effect of financial compensation on employee performance.
The studies conducted above shows a contradictory findings on the effects of employee compensation, with some showing a strong positive correlation while some recommending on non-monetary compensation i.e. a study by Odunlami and Matthew, (2014) and studies by (Nelson & Spraakman, 2012). Moreover, majority of these studies were done in more developed countries such as Pakistan, Singapore, UK and South Africa. Therefore, a study needs to be carried out on the effects of compensation on employee performance in MFIs in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to analyze the effects of employee compensation systems on employee performance in microfinance institutions (MFIs) in Nyeri County.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

i) To establish the effect of salary on employee performance in microfinance institutions in Nyeri County.

ii) To determine the effect of job promotion on employee performance in microfinance institutions in Nyeri County.

iii) To establish the effect of bonuses on employee performance in microfinance institutions in Nyeri County.

iv) To determine the effect of commissions on employee performance in microfinance institutions in Nyeri County.
1.4 Research Questions

The research sought to answer the following research questions;

i) What is the effect of salary on employee performance in microfinance institutions in Nyeri County?

ii) How does promotion affect employee performance in microfinance institutions in Nyeri County?

iii) To what extent do bonuses affect employee performance in microfinance institutions in Nyeri County?

iv) Is there any relationship between commissions and employee performance in microfinance institutions in Nyeri County?

1.5 Significance of the study

The study would give the MFIs an independent evaluation of the general effects of employee compensation and thus explain their impact of employee performance i.e. the study would therefore give guidelines on the most effective employee compensation policies and practices. The findings of the study provided vital information to policy makers and human resource managers of the banks to either consolidate or rethink ways of rewarding staff of the microfinance institutions. The study would form a basis for further research by scholars interested in furthering the body of knowledge on employee compensation in microfinance institutions in Kenya.

1.6 Scope of the Study

The study was conducted on only fifteen MFIs operating within Nyeri Central Sub-County, Kenya that offers services to small scale entrepreneurs. Respondents selected for the study consisted of credit managers, operations managers and credit officers of these institutions. The study focused on the four variables; salary pay, commissions, job promotion and bonuses and the employee performance of micro finances as dependent
variable. The study included data for year 2014 to 2016 since this is the period when MFI growth in terms of numbers was evident.

1.7 Limitations of the Study

Some participants viewed the information as confidential, sensitive and they were reluctant to fill in the questionnaire as they feared that competitors may use the information for their own gains. To mitigate this, the researcher used introductory letter and authorization from the university to carry out this research, assuring the MFIs that information collected was treated as confidential and used for academic purposes only. The researcher persuaded the respondents and explained to them the importance of this research study. Some participants viewed the information as confidential, sensitive and their responses were biased as they feared that competitors may use the information for their own gains. However, assurance was maintained through the provision of a letter from the university assuring them that the information provided only for education purposes.

1.8 Organization of the study

The study is structured as follows: the chapter one provides the research background, statement of the problem, research objectives, significance of the study, scope, and the limitations encountered in the course of the study. Chapter two presents literature review of existing research on the effects of compensation on employee performance and conceptual framework. Chapter three deals with the methodology employed in the study. It provides explanation and description of the methods and procedures to be used. Chapter four presents the descriptive and inferential analysis of the findings of the study. Chapter five presents the study findings summary, conclusions and recommendation based on each of the four specific objectives.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter gives an overview on the various theories on compensation and performance of MFIs. Empirical literature on the four variables; salary, job promotion, bonuses of employees and commissions. Literature review helped in establishing existing gaps, some of which were addressed by this study. The chapter culminates by summarizing the empirical literature and showing the relationship between the independent variables and dependent variable through a conceptual framework.

2.2 Theoretical Review

According to Arvil (2009), a good research is grounded on theories relating to the objectives of the study. In accordance of the same, several theories have been put forward which have implications of compensation on employee performance in order to guide this current study. The theories have been listed herewith.

2.2.1 Agency Theory

This theory originated from Stephen Ross in 1970s and it states that both the employer and the employee are the stakeholders of the company, and the remuneration paid to the employee is the agency cost. The employee will try to get an increased agency cost whereas the employer will try to minimize it. Hence, the remuneration should be decided in such a way that the interest of both the parties can be aligned. Agency theory is one of the most widely used theories in management (Gerhart et al., 1995). Broadly, agency theory is about the relationship between two parties, the principal (owner) and the agent (McKim&Hughart, 2005). More specifically, it examines this relationship from a
behavioral and a structural perspective. Theory suggests that given the chance, agents will behave in a self interested manner, behavior that may conflict with the principal’s interest (Okoth, 2014).

As such, principals will enact structural mechanisms that monitor the agent in order to curb the opportunistic behavior and better align the parties’ interests (Njanja et al., 2013). Firm performance by way of cost minimization and greater efficiencies is the desired outcome of the agency theory perspective. When the ownership and management of a firm are separated, theory suggests that agency problems are created, and agency costs are incurred to alleviate these problems (Walumbwa, Lawler, & Avolio, 2007). To elaborate, separation of ownership and management is a key component of agency theory; the principal authorizes or delegates work to the agent, and the agent is expected to act in the best interest of the principal (Ek&Mukuru, 2013).

An agency problem is created when the interest of the principal and agent are misaligned and the principal lacks the information to accurately assess the behavior of the agent (Sajuyigbe et al., 2013). Agency problems can take the form of moral hazard or adverse selection (Ali et al., 2015). Moral hazard refers to the situation where the agent lacks effort in the scope of the employment relationship. It is considered a form of opportunistic behavior that includes free-riding, shirking, and perk-consumption (Chrisman, 2004; Chua, 2009; Karra, 2006). Adverse selection refers to the situation where the agent lacks the ability and skills to competently behave in the scope of the employment relationship (Al-Ameryeen, 2015).

The underlying assumption of agency theory is based on the economic model of man (Davis, 2007; Eisenhardt, 2009; Jensen & Meckling, 2006) and helps the employer to establish the correct compensation scheme which will help the employee carry out the agency job efficiently. Thus individuals will seek to optimize their own utility in the
compensation procedures. In the principal-agent relationship, an agent is hired to maximize the principal’s utility. However, agency theory assumes agents will instead behave opportunistically because they too are self-serving. Therefore, the principal enacts mechanisms to minimize losses to their own utility (Osibanjo et al., 2014).

This theory is applicable in this study in that managers are the agents of various microfinance institutions in Kenya and are entrusted to make prudent moves in ensuring the compensation system in the banks doesn’t adversely affect the Banks overall performance (Karra, 2006). Therefore managers should make their decision very carefully taking into considerations cost the institutions incurs and the implications on the shareholders wealth.

2.2.2 Equity Theory

Equity theory was proposed by John Stacey Adams in 1963 and has a one major proposition which is the comparison of one’s inputs and outcomes to others inputs and outcomes and as a result of this comparison one might experience equity or inequity. This proposition is very clear and parsimonious unlike many theories in the social science. Ever one can understand this theory since it has to deal with our feelings toward equity and justice (Eisenhardt, 2009). These are very important issues to humans and that is why people will be inclined to understand this theory more clearly (Rice, 2003). Researchers emphasized that theories should not be too broad or too narrow. Equity theory has achieved this limitation. Equity theory has focused on what motivates employees and describes that employees input something and expect something back in return. This equalization of relationship will tend to motivate employees to perform (Chua, 2009). The theory also emphasized two situations of inequity, which is the case of over reward and under reward and how humans tend to react in either situation. Equity
theory is considered to be one of the most valid frameworks to understand human attitudes and motivation (Miner, 2004).

According to Miner (2000), equity theory has the following characteristics: Prediction of performance: the evidence of research showed that both over reward and under reward will have an effect on performance, but the question that remained unanswered is for how long this effect will last before corrected by cognitive distortion. On balance the theory seems to predict performance at least for a short period of time (Jensen & Meckling, 2006). Prediction of work satisfaction: the research done in this area gives strong support for equity theory. In over-reward situations guilt and dissatisfaction was experienced which led workers to increase inputs, and under-reward created anger and resentment, which led in many cases to turnover and absenteeism, and lowering inputs (Phillips, 2006). Construct validity: the central construct of the theory is equity motivation or perhaps two constructs involving guilt or shame reduction and anger reduction.

When individuals compare themselves to referent others, the result is either equity or inequity. In the case of inequity a person will experience anger or guilt and this anger or guilt will motivate individuals to reduce inequity by following one of seven methods or a combination. This relationship is falsifiable; it is constructed in a way that can be refuted by researchers. Inequity may not lead to anger or guilt in some situations. The drawback of equity theory is that it has not accounted for individual differences and for different cultures. More research needs to be conducted to further explore this relationship (Miner 2008).

According to Pilty (2009), equity theory has a lot of utility in it. It is generalizable to almost any relationship whether intimate, exploitative, or occupational. The second utility is that equity has many constructs and some of them are not measured, yet, this
allows us to delete inapplicable constructs and variables instead of adding new constructs and variables to the theory (Corbetta & Salvato, 2004). The third utility of equity theory is comprehensiveness. Fourth, the theory is logical and it explains human behavior consistently. This is apparent in its use and consistency as we seen through research. Fifth, equity theory is unbounded by space or time. This means that it is applicable to any relationship which increases its generalizability. Sixth, all propositions of the theory have specified the cause and effect relationships. Seventh, the theory has construct validity. Constructs like pay satisfaction may lead to job satisfaction (Fama, 2000). Through studies these constructs have behaved the way they supposed to behave. Finally, the equity theory is self-verifying since the nature of relationships is specified.

Equity theory can be applied in microfinance institutions compensation systems in ensuring that employees are compensated based on their qualifications and experience. Equalization in compensation will tend to motivate employees to perform and feel appreciated (Chua, 2009). The microfinance institutions should also emphasize on the issues of inequity where cases of over reward and under reward are minimized and how humans tend to react in either situation (Miner, 2004).

2.2.3 Maslow Hierarchy of Needs Theory

Maslow hierarchy of needs is a theory in Psychology proposed by Abraham Maslow in his 1943 paper “A theory of human Motivation”. The theory postulates that people are motivated to achieve certain needs and that some needs take precedence over others.

Maslow's hierarchy of needs theory states that people have a pyramid hierarchy of needs that they will satisfy from bottom to top. Starting from mere physiological subsistence the Maslow hierarchy of needs covers belonging to a social circle to pursuing your talent through self-actualization (Faiola, 2009). Important to the hierarchy of needs theory is
that Maslow felt that unfulfilled needs lower on the ladder would inhibit the person from climbing to the next step (Cascio, 2007).

The pyramid of needs is divided into two categories: deficiency needs (physiological and safety) and growth needs (belonging, self-esteem and self-actualization). If the deficiency needs aren't satisfied, the person will feel the deficit and this will stifle his or her development. When Maslow's hierarchy of needs is applied to work situations, it implies that managers have the responsibility, firstly, to make sure the deficiency needs are met in both the work pay and working conditions (Wiley, 2011). This means, in broad terms, a safe environment and proper wages. Secondly, it implies creating a proper climate in which employees can develop their fullest potential; failure to do so would theoretically increase employee frustration and could result in poorer performance, lower job satisfaction, and increased withdrawal from the organization (Brockne, 2008).

This theory is applicable in this study since compensation systems and the delayed compensation will block the person from their higher growth needs and hence reduced employee performance (Latham, 2015). Employees may work harder to get security, but without fulfilling their other needs. If security doesn't return they will fulfill their needs elsewhere or burn out, this theory is relevant to our study because it affirms that job pay and security affect performance of employees and the reason for job insecurity here is improved compensation (Sentono, 2009).

2.3 Empirical Review

This section includes the empirical studies which have been carried out on the four independent variables and their effects on dependent variable.
2.3.1 Basic Pay and Employee Performance

According to Hameed (2014) on the impact of wage increase on employee performance found out that, a fixed wage have a significant positive effect on job satisfaction, regardless of an employee’s risk preference. The study also found that, there is an expectation from the employer of a longer term commitment from the employee for providing a regular uninterrupted compensation.

Richard (2014) study found out that 80 to 90 percent of organizations use merit pay. Salary pay is monetary reward given to employees in addition to their fixed compensation. This pay plan is based on individual performance but bonuses are not based on performance (Suman& shout, 2010). These studies found out that, there are reward like the long term growth as well as employee relation and mostly form of cash in and stock. The length and performance pay plan mostly are their long term incentive also generate some problem of their liquidity long term incentive cantonal get immediately value because requirements on reward convicted in to cash. Performance related pay directly impact the workers performance creating the output through pay and workers has more able to give pay structure according to the performance (Shilongo, 2013).

A study done by Nyaribo (2016) on the relation between compensation and employee performance found out that, the pay for shorter term incentive give the power job shorter oriented. The study also found out that individual motivation improves the performance of the employee in this context performance related pay refer to system linking the performance it based on the organizational accountably measure individual outputs individual output of the organizations performance pay can be manage value of potential references. This is remarkable since a performance based reward scheme often consists of a fixed part and a variable part. The most obvious explanation for the fact that only
little attention is given to the composition of the reward package is that is often easier to evaluate and discuss extremes.

Holmstrom and Milgrom (2011) found out that an optimal incentive contract can be to pay only a fixed wage, independent of measured performance. However, Awasthi and Pratt (2010) found a significant result on their hypothesis that monetary incentives are positively related to time spent on decision tasks. Shilongo, (2013) reported in a case study that the incentive effect of a piece rate pay was an increase of about 22 percent in production. The previous seemingly contradictory results are in line with the study of (Bryson, Buraimo, & Simmons, 2011) who concludes that neither performance based pay nor fixed pay, produces universally superior results. From a firm perspective the use or non-use of performance based pay is mostly determined by the costs of monitoring (Lazear, 2011).

Mukuru (2013) showed that other firm aspects such as the stage of the firm (i.e. the age of the firm), the skills and the profitability of an organization are of influence to the optimal pay composition. The latter are determinants from a company’s point of view. A profoundly different approach to determine an employee’s wage is to use the efficient wage.

2.3.2 Commission and Employee Performance

A study on the impact of commission pay on performance by Murray and Gerhart, (2011) found out that, by adding commission-earning opportunity, companies drive salesmen to set more aggressive goals, to work through obstacles and rejection, and to continue to prospect and seek new selling opportunities. Though according to the study straight salary offers the most stable income for employees, sales employees who have worked on straight commission often appreciate a higher level of guaranteed income and base pay. The balance of stability and incentive to perform at a higher level has a nice
balance of benefits from both straight salary and straight commission. The key is to offer just enough stability that employees feel satisfied with their basic financial security but still have motivation to sell more to earn more.

According to Lawler (2013), when compensation is based on volume or some form of performance, this is known as commission based remuneration. Other terms used include piecework or piecemeal. Many industries used this type of remuneration to get a minimum standard of production in exchange for compensation. It is used to shift risk from the employer to the employee. There are two methods to calculate commission. One is based on volume of services and the other is based on sales. An example of an industry that uses volume remuneration extensively is the fishing industry. The men that work on the boats have a risk that the captain will not find fish. In exchange, the captain may hit upon some nice fishing grounds and bring in a large catch. Once the fish is offloaded, the processors use commission to compensate the production workers. These workers are paid by piecemeal, that is, how much final product they can generate from the catch. Typically their cuts of the meat are weighed and they are compensated based on that measurement for services rendered.

The traditional job based system assumes that an employee should be paid according to his position in the organization. However, there is growing evidence that a shift of focus from job based systems to skill based systems is recommendable (Zeng & Honig, 2017). A skill based pay system (SBPS) can best be described as ‘a system in which the capabilities of individuals are the primary focus and which cause them to be managed in a way that facilitates organizations developing organizational capabilities that provide competitive advantage.

In addition, Gomez-Mejia and Balkin (2012) found out that the following elements benefited the results of a SBPS: the organization is situated in a start-up or growth phase,
has a participative culture and offers other incentive programs complementing skill based pay. This is in accordance with Nyaribo (2016) who states that workers in a skill based pay system have strong incentives to increase knowledge and skill since higher skill levels are associated with both higher status and with pay.

According Gerhart (2011), Salary plus commission is more difficult to administer than a pay structure with one basic type of pay. With this pay structure, payroll staff must manage both the salary and commission aspects of pay. Additionally, salesmen can become confused about how their pay is calculated, especially if more than one type of commission is offered. Some companies offer multiple commission percentages for multiple product and service categories, as opposed to one commission rate across the board. Salary plus commission critics most often point to challenges in execution, not the ideas behind motivating employees with commission. Some companies use relatively small commissions as small add-ons to standard salary or wages.

2.3.3 Bonuses and Employee Performance

A possible solution to deal with employees that have different degrees of risk aversion is to use flexible benefit schemes (Barringer&Milkovich, 2010). According to the Milkovich (2010) study, flexible benefit scheme employees are allowed to express their relative preferences with respect to topics such as healthcare, dental and employee life insurance. Rigid benefit plans, on the other hand, are by management predetermined standard benefits. However, a firm should use this solution with caution since the results of Igalens and Roussel (2010) suggest that flexible pay lacks efficiency. This is in accordance with the evidence provided by Barber, Dunham and Formisano (2012). They add that a firm should consider different factors, such as risk aversion and demand for leisure, when determining the reward schemes.
Furthermore, Barber (2012) study showed that an increased understanding of benefits following implementation of a flexible benefit plan generates increased satisfaction. A downside of using flexible schemes is that it takes time for employees to get used to and subsequently choose the right package (Cable & Judge, 2014). By contrast, not only do flexible benefit plans lead to higher energy levels and greater focus, it will also reduce the employee turnover and increase the productivity (Schwartz, 2010). Bonuses are used to increase performance from the employee. This is a variable type of remuneration and is more commonly found with salaried staff to incentivize them for a particular goal whether time or volume based. Other reasons used for bonuses are to increase or maintain retention of certain skills or the pool of skill sets needed in the company. Sometimes bonuses are paid when a company meets certain financial standards or goals over an extended period of time.

Dee prose (2014) found out that motivation of employee productivity can be enhanced provide effective recognition which provide the result improve the performance of organization. He entire second of the organization that the employee motivated to assessment the performance of job compensation. The ability to organization is accommodates the needs employees their performance. Inside the commitment towards their organization and their work play a critical role (Eisenbega, 2012).

Milkovich and Newman (2010) found out that, bonuses is a compunction of a big range of financial benefits and Non-financial benefits that include; Social security: this is managing insurance system by the rules of employee must pay into system and contain perchance of pay up to maintain limit.

2.3.4 Job Promotion and Employee Performance

Researches by groups of researchers (Zainuddin, Junaidah&Nazmi, 2010) and another group (Danish &Usman, 2010) found a positive significant relationship between
opportunities for promotion and job satisfaction. Sulaiman and Omar (2012) argue that employees that perceived promotion decisions as fair are more likely to be committed to the organization, experience career satisfaction, perform better and subsequently have a lower intention to leave the organization.

Clark (2011) found that both satisfaction with pay and job security are the most important job satisfaction categories for determining future quits, while satisfaction with promotion opportunities is not a significant factor. Using cross-sectional data on British nurses, Shields and Ward (2011) found that dissatisfaction with promotion and training opportunities have a stronger effect on intentions to quit than dissatisfaction with workload or pay. Shields and Ward also found that employees who report promotion prospects as the most important work characteristic do not have significantly different job satisfaction than those who report other employment characteristics as most important.

Using data from the 2009 and 2010, Pergamit and Veum (2010) found a positive correlation between promotions and employee performance. However, their empirical model only controls for promotions and the type of job change. Francesconi (2011) analyzes the effects of promotions on changes in job satisfaction using British household data. In another study using British household data, Clark (2012) includes a dummy variable indicating whether the respondents have opportunities for promotion as an explanatory variable. This variable is very similar to the promotion expectations variable included in the present study; however the study does not analyze the effects of actual promotions upon employee performance.

De Souza (2012) estimates the effect of promotions on worker satisfaction, focusing on promotion satisfaction in a small sample of managers. De Souza finds that managers who received a promotion are more satisfied with promotion opportunities and have greater
promotion expectations for the future. De Souza also considers other aspects of employee satisfaction, but does not analyze overall job satisfaction.

2.4 Summary of Literature Review and Research Gap

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 makes up the total compensation package for the employee are not given much attention in the researches above. Employees themselves fail to recognize the fact that their compensation is a package and not only related to cash. The by-product of the above understanding of compensation is that it is poorly managed and most of the time performance is affected adversely.

Moreover, Studies discussed above on compensation shows clearly that most of the studies have been done in the developed world while studies in developing countries such as East Africa region are scanty and broad. However, it is also notable that the Microfinance institutions in Kenya have not taken the issue of compensation seriously (Tosi&Tosi, 2012).
2.5 Conceptual Framework

**Independent Variables**

- **Salary**
  - Piece rate
  - Monthly rate
  - Forms of Payment

- **Job Promotion**
  - Job Change
  - Position Change
  - Reward system

- **Bonuses**
  - Time Based
  - Volume Based
  - Employee Involvement

- **Commissions**
  - Skilled based commission
  - Level based commission
  - Project orientation

**Dependent Variable**

- **Employees Performance**
  - Targets Achieved
  - Time taken per task
  - Output levels

*Figure 2.1 Conceptual Framework*

*Source: Researcher, (2018)*
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter explains the methodology that was used in the study. The chapter thus, outlines into research design, target population and sample, description of research instrument, data collection procedure and data analysis technique.

3.2 Research Design

The research design that adopted in this research study is the descriptive survey design. Descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Orodho, 2003). It can be used when collecting information about people’s attitudes, opinions, habits or any of the variety of education or social issues (Orodho&Kombo, 2002). The design adopted was an investigative design since it is easy and efficient to use and is an accurate counter and indicator to measure (Pamela, 2003). The researcher choses descriptive survey design because the study aims at collecting information from respondents on their experiences and perceptions of effects of employee compensation on performance of financial institutions.

3.3 Target Population

The target population of the study was drawn from all deposit taking MFIs operating Nyeri Central Sub-County. As of 2017 December, there are 15 registered deposits taking MFIs in Nyeri Central Sub-County. The respondents under consideration were the
managers, supervisors and employees in the micro finance institutions totaling to 389. These are the key resource persons in the best position to answer on issues of performance and employee compensation.

### Table 3.1 Target Population Study Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>80</td>
</tr>
<tr>
<td>Supervisor</td>
<td>72</td>
</tr>
<tr>
<td>Employees</td>
<td>207</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>359</strong></td>
</tr>
</tbody>
</table>

*Source: Respective MFI Database (2018)*

#### 3.4 Sampling Design and Sample Size

Systematic simple random sampling was applied to get the respondents. Every second respondent was provided with a semi-structured questionnaire for a period of at least 5 days in every MFI to arrive at a sample size. Stattrek (2015) formula was used to determine the sample size for a known population and a known level of confidence.

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

The known variables for the study are as follows: N- Total Population Size is 359 e-
Level of Precision at 95% Confidence level. The unknown variables for the study are as follows: n- Sample Size. Employing the above formula, the sample size was:

\[
n = \frac{359}{1+359(e)^2}
\]
The sampling frame therefore was 189 respondents selected from the target population of 359 of the 15 MFIs in Nyeri town. To obtain an appropriate sample size from the members a systematic random sampling was used hereby the $1.8975^{th} = 2^{nd} = (1 + N (e)^2)$ member was selected.

**Table 3.1: Sample Size**

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
<th>Sampling rate(x/1.8975)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>80</td>
<td>42</td>
</tr>
<tr>
<td>Supervisors</td>
<td>72</td>
<td>38</td>
</tr>
<tr>
<td>Employee</td>
<td>207</td>
<td>109</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>359</strong></td>
<td><strong>189</strong></td>
</tr>
</tbody>
</table>

*Source: Primary data*

3.5 **Data Collection Procedures and Instruments**

The researcher sought permission from the relevant authorities in Microfinance Institutions in Nyeri to be allowed to collect data. After the permission is obtained, the researcher sought appointment from the respondent prior to the actual data collection. Data was collected by use of semi-structured questionnaire. The questionnaire had both open ended and closed questions. In this study questionnaires were chosen for collecting data for they were easier to administer and analyze the data collected from the field. The questionnaires were administered by the researcher personally.
3.6 Validity and Reliability of Research Instrument

3.6.1 Validity of Research Instrument

Mugenda and Mugenda, (2005) define validity as the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. To assess the content and face validity, the researcher consulted the supervisor to determine the validity of the instruments and offer suggestions on content. The researcher also involved some of the colleagues in the masters class for their comments. Their recommendations were used in the improvement of the final questionnaires. Before using the questionnaires for generating data for the study, a pilot study was conducted in Karatina Town which is outside the study sample. Five individuals were targeted for pilot. The purpose of pre-testing the research instrument was to: Verify whether the questionnaire is clear to the respondents, establish whether the questionnaire effectively addresses the data needed for the study, assess and identify any problems respondents would encounter in completing the questionnaire that may not have been foreseen when constructing the questionnaire this was used to test the correctness of the data collection tools.

3.6.2 Reliability of Research Instrument

Reliability of the research instrument is its level of internal consistency over time. A reliable instrument therefore, is the one that constantly produces the expected results when used more than once to collect data from two samples drawn from the same population. Reliability of the instrument was enhanced through a pilot study; split half method of randomly selected Respondents. During the pilot study, the instrument was split half into all odd numbers put them in one subset and all even numbers in another subset. The scores of all the odd numbered items of the respondents in the pilot study
was computed separately and then compared to see the suitability of the instrument using Cronbach’s alpha. A Score above 0.7 was accepted.

3.7 Data Analysis and Presentation

Once the questionnaires were collected, they were scrutinized to ensure they are duly completed and are consistent, after which they were numbered. This was followed by checking that all items are answered according to instructions to reduce errors and maintain the validity of the data. The researcher analyzed the quantitative data by tallying responses of closed ended questions. The data was coded, and entered into the computer for analysis using the SPSS. Descriptive, correlation and inferential analysis was used. Content analysis was used to analyse qualitative data. Data was presented in form of tables and figures. The data was analyzed using multiple regression analysis. The model was;

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where:

- \( Y \) = Employee Performance in MFIs
- \( \beta_0 \) = Constant
- \( \beta_1 \) to \( \beta_4 \) = Coefficient of independent variables
- \( X_1 \) = Salary
- \( X_2 \) = Job promotion
- \( X_3 \) = Bonuses
- \( X_4 \) = Commissions
- \( \epsilon \) = Error term of the model
The Correlation coefficients provided for the degree and direction of relationships. It measures the association, or co-variation of two or more dependent variables. The statistical calculation of such correlation was done and expressed in terms of correlation coefficients. The $\gamma$ provided information on the direction and magnitude of an observed correlation between two variables (X and Y). Inferential statistics was carried out to establish the nature of the relationship that exists between variables. Data was interpreted with the help of significance P-values, if the P-value is less than 0.05 the variables was deemed significant to explain the changes in the dependent variable. The coefficient of determination ($R^2$) was used to analyze the percentage in which the independent variable determines the dependent variable. It indicated the proportion of the variance in the dependent variable that is predictable from the independent variable.

3.8 Ethical Consideration

Before collecting data the researcher was guided by the University code of ethics and shall obtain authority from relevant offices and authorities. This included obtaining research permit from NACOSTI and an authorization letter from University Business School. The researcher also made telephone calls liaise with the directors of the microfinance institutions under study so that they can allow employees working under them to participate in the study. The questionnaire included a clause showing data confidentially, security keeping, safe custody and participants were not required to write their names to avoid exposing respondents.
CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research objective and research methodology. Descriptive statistics, correlation analysis and inferential analysis has been used to discuss the findings of the study.

4.2 Response Rate

The researcher in attempt to collect data relevant to the study distributed 189 copies of questionnaire to the MFIs Staff. Out of 189 questionnaires distributed, it’s notable that 173 which are 92% of the total filled and returned. This indicates that the response rate is acceptable and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 70% and over is excellent.
4.3 General Information

The section presents the data findings on the respondents’ general information. The demographic information included gender of respondents and their level of education.

4.3.1 Level of Education

Table 4.2 Level of Education

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>13</td>
<td>8%</td>
</tr>
<tr>
<td>Degree</td>
<td>111</td>
<td>64%</td>
</tr>
<tr>
<td>Masters</td>
<td>49</td>
<td>28%</td>
</tr>
<tr>
<td>Total</td>
<td>173</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)
The study sought to establish the highest level of education of various respondents. The findings were summarized in the Table 4.1 above. Majority of the respondents (64%) in the study had a degree certificate and minority had diploma certificate. This indicates that the respondents had knowledge on the concepts under study.

4.3.2 Working Experience

**Figure 4.2 Working Experience**

*Source: Researcher, (2018)*

The study sought to establish the working experience from the employees. From the findings in Figure 4.2 above, it established that majority of the respondents (79.9%) had a working experience of more than five years. Employees with an experience of 2 to 4 years followed with 11.5%. This is an indication that the data collected was from the
right target population with readily available information and that the data will be reliable for analysis.

4.4 Descriptive Analysis

The study sought to establish the strength of the relationship between compensation system and performance of employees in microfinance institutions in Nyeri County. In respect to this respondents were asked to indicate to what extent they agreed with various aspects that were tested under compensation systems. The study utilized a five-point likert scale ranging from strongly agreed (5) to strongly disagree. The researcher used the arithmetic mean and standard deviation in shown in the tables below.

4.4.1 Effects of Salary

The study sought to establish the effects of salary on performance of microfinance institutions. The findings were summarised in the tables below;

<table>
<thead>
<tr>
<th>Salary</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company pay salary to employees based on performance</td>
<td>3.000</td>
<td>.943</td>
</tr>
<tr>
<td>The pay on a monthly basis is reviewed occasionally equitably</td>
<td>2.750</td>
<td>1.404</td>
</tr>
<tr>
<td>The performance based pay affects employees performance</td>
<td>2.143</td>
<td>.8483</td>
</tr>
<tr>
<td>Our company fixed salary affects employees</td>
<td>1.510</td>
<td>.994</td>
</tr>
<tr>
<td>Our company pay fixed salary to employees</td>
<td>1.571</td>
<td>.69</td>
</tr>
</tbody>
</table>

The descriptive statistic measures considered were mean and standard deviation. Mean was used to establish the average value of the data while standard deviation gave the dispersion in the data. High mean presents majority of the respondents strongly agreeing with the statement presented to them while low standard deviation translates to low
dispersion of their response. From the findings, salary pay to employees based on performance was highlighted as the most dominant form of compensation (M=3.000) as well as the pay on a monthly basis reviewed occasionally (M=2.750). This indicates that salary based on performance is key in keeping the employee in the company for long and therefore it’s important to develop salary based compensation to enhance survival during turbulent times. The fixed pay was also pointed out has having influence on the performance of the microfinance institutions. However, the standard deviation on the pay on a monthly basis reviewed occasionally had high standard deviation (SD = 1.404) while the company fixed salary pay effects on employee performance (M=1.571). The findings are consistent with a study by Hameed, (2014) on the impact of wage increase on employee performance found out that, a fixed wage have a significant positive effect on job satisfaction, regardless of an employee’s risk preference. The previous seemingly contradictory results are in line with the study of (Bryson, Buraimo, & Simmons, 2011) who concludes that neither performance based pay nor fixed pay, produces universally superior results.

### 4.4.2 Effects of Commission

The study sought to establish the effects of commission on performance of microfinance institutions. The findings were summarised in the table below;

**Table 4.3 Effects of Commission**

<table>
<thead>
<tr>
<th>Commission</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a company pay commissions based on the skill of a particular employee</td>
<td>4.164</td>
<td>.922</td>
</tr>
<tr>
<td>This company is always paying based on units produced or output per employee</td>
<td>3.893</td>
<td>.685</td>
</tr>
</tbody>
</table>
The commission pay based on the skill of the employee affects employee’s performance 1.821 .772
The commissions pay based on unit affect employee’s performance 1.714 .810

Source: Research Data (2018)

The descriptive statistic measures considered were mean and standard deviation. Mean was used to establish the average value of the data while standard deviation gave the dispersion in the data. High mean presents majority of the respondents strongly agreeing with the statement presented to them while low standard deviation translates to low dispersion of their response. The finding suggest that skill based pay (M=4.164) and pay based on units produced (M=3.893) were found to affect the performance of microfinance institutions the most. On the other hand, pay based on skills effects on performance of microfinance institutions (M=1.679) and units based pay effects on performance of microfinance institutions (M=1.714) were found to affect performance the least. The findings contradicts with a study on the impact of commission pay on performance by Murray and Gerhart, (2011) which found out that by adding commission-earning opportunity, companies drive salesmen to set more aggressive goals, to work through obstacles and rejection, and to continue to prospect and seek new selling opportunities.

4.4.3 Effects of Bonuses

The study sought to establish the effect of bonuses on performance of microfinance institutions. The findings were summarised in the table below:

Table 4.4: Effects of Bonuses
### Effects of Bonuses

<table>
<thead>
<tr>
<th>Effects of Bonuses</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonuses pay is based on the time period one has worked in the firm</td>
<td>3.828</td>
<td>.790</td>
</tr>
<tr>
<td>Bonuses pay is based on the volume or output produced</td>
<td>3.336</td>
<td>.744</td>
</tr>
<tr>
<td>Bonuses based on period of time worked affects employees performance</td>
<td>2.893</td>
<td>.786</td>
</tr>
</tbody>
</table>

High mean presents majority of the respondents strongly agreeing with the statement presented to them while low standard deviation translates to low dispersion of their response. The result shows that pay based on the time period one has worked in the firm came out as the most form of bonuses payment (M=3.828) and volume based pay bonuses was second (M=3.336). On the other hand the respondents felt that the bonuses paid affects performance (M=2.893) with a standard deviation (Std .786). The findings tallies Barber (2012) study which found that an increase in understanding of benefits following implementation of a flexible benefit plan generates increased satisfaction and hence increased performance.

### 4.4.4 Effects of Job Promotion

The study sought to establish the effects of job promotion on performance of microfinance institutions. The findings were summarised in the table below;

**Table 4.5: Effects of Job Promotion**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
<td>Mean</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Our firm promote employees by changing their job roles and task</td>
<td>3.964</td>
</tr>
<tr>
<td>Our company policy does allow switching from a department/Business even after promotion.</td>
<td>3.229</td>
</tr>
<tr>
<td>The company employees changing their job roles and task affects employees performance</td>
<td>3.643</td>
</tr>
<tr>
<td>The company employees changing their job roles</td>
<td>2.535</td>
</tr>
</tbody>
</table>

**Source: Research Data (2018)**

The descriptive statistic measures considered were mean and standard deviation. Mean was used to establish the average value of the data while standard deviation gave the dispersion in the data. High mean presents majority of the respondents strongly agreeing with the statement presented to them while low standard deviation translates to low dispersion of their response. The finding show that majority of the microfinance institutions promote their employees by changing their job roles and task (M=3.964) and also the study found out that it is the microfinance institutions policy to switch employees from one depart even after promotion (M=3.229) and standard deviation (Std .604). The respondents agreed that changing employees job roles and task affects employees performance while employee switching from department to another does not affect performance of microfinance institutions (M=2.535) and a standard deviation (Std .508). The findings of this study concur with Pergamit and Veum (2010) study on effects of job promotion on employee performance which found that there is a positive correlation between promotions and employee performance.
4.5 Employees Performance

Table 4.6 Employees Performance

<table>
<thead>
<tr>
<th>Employees Performance</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee performance is indicated by the number of units produced?</td>
<td>3.97</td>
<td>0.92</td>
</tr>
<tr>
<td>Employees in our MFIs were able to achieve the target by producing the units allocated?</td>
<td>3.92</td>
<td>0.98</td>
</tr>
<tr>
<td>The employees’ time taken per task is an indicator of performance?</td>
<td>4.02</td>
<td>0.94</td>
</tr>
<tr>
<td>Our employees were able to take the time allocated per task?</td>
<td>3.89</td>
<td>0.95</td>
</tr>
</tbody>
</table>

Source: Researcher, (2018)

The descriptive statistic measures considered were mean and standard deviation. Mean was used to establish the average value of the data while standard deviation gave the dispersion in the data. High mean presents majority of the respondents strongly agreeing with the statement presented to them while low standard deviation translates to low dispersion of their response. Table (4.6) Clarifies the employees performance in microfinance institutions, where the arithmetic mean ranges between (3.89 - 4.06). We observe that the highest mean for the item “the employees time taken per task is an indicator of performance?” with arithmetic mean (4.02) and standard deviation (0.94). While the lowest arithmetic mean was for the item “Our employees were able to take the time allocated per task?” with arithmetic mean of (3.89) and standard deviation (0.95). In general means are high with average (3.96) and standard deviation (0.93). This is in accordance with Nyaribo (2016) who states that workers in a skill based pay system have strong incentives to increase knowledge and skill since higher skill levels are associated with both higher status and with pay.
4.6 Qualitative Analysis

The study respondents were requested to comment on commission and its influence on employee performance and many of them argued that the commission paid is not enough and the target is set high and at times unachievable for one to qualify for commission. Majority of the respondents also posited that the bonuses are paid only once a year and after the financial results are announced and mostly depends on someone’s score in the balance scorecard. Majority of the employees also argued that promotion depends on the length of time worked other than work experience.

4.7 Correlation Analysis

4.7.1 Relationship between Salary and Performance of Employees

Table 4.7 Salary and Performance of Employees

<table>
<thead>
<tr>
<th>Chi-square tests</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>45.146a</td>
<td>12</td>
<td>.0001</td>
</tr>
<tr>
<td>Likelihood ratio</td>
<td>21.117</td>
<td>12</td>
<td>.023</td>
</tr>
<tr>
<td>Linear-by-linear Association</td>
<td>5.114</td>
<td>1</td>
<td>.041</td>
</tr>
<tr>
<td>N of Valid cases</td>
<td>173</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 18 cells (90.0%) have expected count less than 5. The maximum expected count is .06
The study sought to establish whether there exists a relationship between salary and performance of employees. The computed chi-square value (45.146) at 12 degrees of freedom the study found that there is a significant relationship between salary and performance of employees since the computed p-value (0.0001) was less than 0.05 at 95% confidence level. The findings tallies with Awasthi and Pratt (2010) study which found a significant result on their hypothesis that monetary incentive are positively related to time spent on decision tasks.

4.7.2 Relationship between Commission and Performance of Employees

Table 4.8 Commission and Performance of Employees

<table>
<thead>
<tr>
<th>Chi-square tests</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>21.317a</td>
<td>12</td>
<td>0.021</td>
</tr>
<tr>
<td>Likelihood ratio</td>
<td>20.729</td>
<td>12</td>
<td>0.005</td>
</tr>
<tr>
<td>Linear-by-linear Association</td>
<td>5.161</td>
<td>1</td>
<td>0.032</td>
</tr>
<tr>
<td>N of Valid cases</td>
<td>173</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 18 cells (90.0%) have expected count less than 5. The maximum expected count is 1.09

Source: Research Data, (2018)

The study sought to establish whether there exists a relationship between commission and performance of employees. The computed chi-square value (21.317) at 12 degrees of
freedom the study found that there is a significant relationship between commission and performance of employees since the computed p-value (0.021) is less than 0.05 at 95% confidence level. The findings concur with Murray and Gerhart (2011) which found that there is a strong positive correlation between commission paid and employee performance.

4.7.3 Relationship between Bonuses and Employees Performance

Table 4.9 Bonuses and Employees Performance

<table>
<thead>
<tr>
<th>Chi-square tests</th>
<th>Value</th>
<th>Df</th>
<th>Asymp. sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>24.177a</td>
<td>12</td>
<td>.0014</td>
</tr>
<tr>
<td>Likelihood ratio</td>
<td>25.887</td>
<td>12</td>
<td>.023</td>
</tr>
<tr>
<td>Linear-by-linear Association</td>
<td>5.189</td>
<td>1</td>
<td>.014</td>
</tr>
<tr>
<td>N of Valid cases</td>
<td>173</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a.23 cells (92.0%) have expected count less than 5. The maximum expected count is 0.06

Source: Research Data, (2018)

The study sought to establish whether there exists a relationship between bonuses and employee’s performance. The computed chi-square value (24.177) at 12 degrees of
freedom the study found that there is a significant relationship between bonuses and employees performance since the computed p-value (0.0014) is less than 0.05 at 95% confidence level. The findings of this study concur with Pergamit and Veum (2010) study on effects of bonuses on employee performance which found that there is a positive correlation between bonus and employee performance.

4.8 Regression analysis

Table 4. 10 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.845(a)</td>
<td>0.714</td>
<td>.703</td>
<td>0.6944</td>
</tr>
</tbody>
</table>

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable, from the findings in the above table the value of R squared was 0.714 an indication that there was variation of 71.4% on the employees performance due to changes salary, commission, bonuses and job promotion at 95% confidence interval. This shows that 71.4% changes in employee performance could be accounted to changes salary, commission, bonuses and job promotion. R is the correlation coefficient which shows the relationship between the
study variables. From the findings shown in the table above there was a strong positive relationship between the study variables as shown by 0.845. This tallies with Clark (2011) study on effects of compensation on employee’s performance which found that there is a strong positive correlation between compensation and employee’s performance.

Table 4.11: Regression analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.15</td>
<td>.231</td>
<td>-</td>
<td>1.973</td>
</tr>
<tr>
<td>Salary</td>
<td>.404</td>
<td>.240</td>
<td>.230</td>
<td>.850</td>
</tr>
<tr>
<td>Commission</td>
<td>.182</td>
<td>.050</td>
<td>1.231</td>
<td>3.616</td>
</tr>
<tr>
<td>Bonuses</td>
<td>.253</td>
<td>.117</td>
<td>1.012</td>
<td>3.212</td>
</tr>
<tr>
<td>Job Promotion</td>
<td>.153</td>
<td>.017</td>
<td>1.075</td>
<td>3.159</td>
</tr>
</tbody>
</table>

The model adopted was; - \( Y = 3.15 + 0.404X_1 + 0.182 X_2 + 0.253 X_3 + 0.153X_4 \)
From the above regression equation it was revealed that holding salary, commission, bonuses and job promotion to a constant zero, employee performance in microfinance institutions would be at 3.15 units. A unit increase in salary would lead to increase in employee performance by a factor of 0.404, a unit increase in commission would lead to increase in employee performance by a factor of 0.182, a unit increase in bonuses would lead to increase in employee performance by a factor of 0.253 and a unit increase in job promotion would lead to increase in employee performance by a factor of 0.153. The Significant level for salary is 0.0028, for commission is 0.036, for bonuses is 0.0012 and for job promotion is 0.025. Since all the four variables have significant values of less than 0.05 they were adopted to predict the employee performance. Using cross-sectional data on British nurses, Shields and Ward (2011) found that Salary, commission, bonuses and promotion have a stronger effect on employee’s satisfaction which leads to improved performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section presents a summary of the major findings of the study as well as the conclusions made from them. The section also presents recommendations made by the researcher as well as suggestions for future studies.

5.2 Summary of findings

This part presents the summarized results and interpretation (findings) based on the study objective.

5.2.1 Salary and Employee Performance
The first objective of the study was to investigate the effects of salary on the employee performance in microfinance institutions in Nyeri County, Kenya. The study established that major compensation types in majority of the microfinance institutions considered were; salary, bonuses, job promotion and commission. The variable that influenced the employee performance most is the salary of the employee. Salary pay to employees based on performance was highlighted as the most dominant form of compensation as well as the pay on a monthly basis reviewed occasionally. This indicates that salary based on performance is key in keeping the employee in the company for long and therefore it’s important to develop salary based compensation to enhance survival during turbulent times.

5.2.2 Commission and Employee Performance

The second objective of the study was to investigate the effects of commission on the employee performance in microfinance institutions in Nyeri County, Kenya. The finding suggest that skill based pay and pay based on units produced were found to affect the performance of microfinance institutions the most. On the other hand, pay based on skills effects on performance of microfinance institutions and units based pay effects on performance of microfinance institutions were found to affect performance the least.

5.2.3 Bonuses and Employee Performance

The third objective of the study was to investigate the effects of bonuses on the employee performance in microfinance institutions in Nyeri County, Kenya. The findings
shows that pay based on the time period one has worked in the firm came out as the most form of bonuses payment.

5.2.4 Job Promotion and Employee Performance

The four objective of the study was to investigate the effects of bonuses on the employee performance in microfinance institutions in Nyeri County, Kenya. The finding show that majority of the microfinance institutions promote their employees by changing their job roles and task and also the study found that it is the microfinance institutions policy to switch employees from one depart even after promotion. The respondents agreed that changing employee’s job roles and task affects employee’s performance while employee switching from department to another does not affect performance of microfinance institutions.

5.3 Conclusion

The study sought to determine whether salary influences employee performance. Therefore, it can be concluded that salary greatly influences employee performance. The study sought to determine whether commission influences employee performance. Therefore, it can be concluded that commission significantly influences employee performance. The study sought to determine whether bonuses influences employee performance. Therefore, it can be concluded that bonuses to a great extent influences employee performance. The study sought to determine whether job promotion influences employee performance. Therefore, it can be concluded that person culture to a great extent influences performance of public universities in Kenya.
5.4 Recommendations

The study recommends that firms should consider reviewing the salary pay on a yearly basis. These will help in keeping the employee in the company for long and enhancing their loyalty. The study recommends that skill based pay should be encouraged in microfinance institutions. The study recommends that firms should consider finding a way of paying bonuses based on the time period one has worked in an organization and volume or number of units produced. Finally the study recommends that microfinance institutions should promote their employees by changing their job roles and task and also the study recommends that job training and transfer is important in the growth and development of employees.

5.5 Suggestions for Further Studies

The study suggests that more research should be done on the factors affecting compensation system in Kenya. Since, from R-squared results shows that a proportion of 28.6% which is not explained by compensation systems. The researcher suggests a study on the effects of compensation systems on employee performance in microfinance institutions in any other county to be carried out for comparison purposes.
REFERENCES


**APPENDICIES**

**APPENDIX I**

**SPECIMEN LETTER TO RESPONDENTS**

Catherine Nkatha Kabiru

P.o Box 526-10100, Nyeri.

**Dear sir/ madam,**

**REF: INTRODUCTORY LETTER**
I am a student at Kenyatta University, pursuing a MBA Degree. I am doing a research on the effects of compensation system on employee’s performance in microfinance institutions in Nyeri County, Kenya. I kindly request you to answer the questionnaire as truthfully as possible. The information gathered will be for academics purposes only.

Your response will be highly appreciated.

Thank you.

Yours Faithfully,

Catherine Nkatha Kabiru

Mobile Number: 0722-883200

APPENDIX II: QUESTIONNAIRE

The purpose of this questionnaire is to solicit data on survey of compensation system on employee’s performance in microfinance institutions in Nyeri central sub-county, Kenya and the responses obtained will be used for academic purposes only. The researcher is a student undertaking his Master in Business Administration Degree in Kenyatta University.

Fill in the following questions in the space provided by putting a tick (√) or a cross(X).
PART 1: Personal Information

1. What is your gender? Tick one
   Male ( )  Female ( )

2. What is your education level?
   Secondary school certificate level ( )
   Diploma Certificate level ( )
   Graduate Degree Holder ( )
   Master’s degree level and/or above ( )
   Any other (specify) ........................................

3. How long have you worked in this firm?
   a) 5 years or less [ ]  
   b) 5 - 10 years [ ]  
   c) 10 years and above [ ]
Part II: Effects of Salary

4. In this section, please tick the appropriate option that best reflects the degree to which the following salary indicators affect your employee’s performance. 5 strongly agree, 4 = agree, 3 = moderately agree, 2 = disagree, 1 = not at all.

<table>
<thead>
<tr>
<th>To what extent do the following statements relate to employee’s performance: Salary</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Our company pay salary to employees based on performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Our company pay fixed salary to employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. The pay on a monthly basis is reviewed occasionally equitably</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. The performance based pay affects employees performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Our company fixed salary affects employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. Kindly comment briefly on how basic salary can be moderated to ensure improved employees performance
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

Part III: Effects of Commission

<table>
<thead>
<tr>
<th>To what extent do the following statements relate to employees performance: Commissions</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. As a company pay commissions based on the skill of a particular employee.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. This company is always paying based on units produced or output per employee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. The commission e pay based on the skill of the employee affects employee’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. The commissions e pay based on Unit affects employee’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
15. Kindly comment on the employee appreciation rate on the level of commissions paid…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

Part IV: Effects of Bonuses
To what extent do you agree with the following statements?

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. We pay bonuses in our organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. We pay bonuses in our organization based on the time period one has worked in the firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. We pay bonuses in our organization based on the volume or output produced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. Bonuses based on period of time worked adversely affects employees performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Volume/output based bonuses adversely affects employees performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21. Kindly comment on how the management can handle bonuses better to improve employees performance…………………………………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………………………………
………………
Part V: Effects of Job Promotion

In this section, please tick the appropriate section that best reflects the degree to which the following job promotion indicators affect your employee’s performance. 5 strongly agree, 4 = agree, 3 = moderately agree, 2 = disagree, 1 = not at all.

<table>
<thead>
<tr>
<th>To what extent do the following statements relate to your employees performance: Job Promotion</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>22. Our firm promote employees by changing their job roles and task</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Our company policy does allow switching from a department/Business even after promotion.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. The employees position change in the department affects employees performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. The company employees changing their job roles and task affects employees performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part VI: Employees Performance (To be filled by the branch managers)

<table>
<thead>
<tr>
<th>To what extent do the following statements relate to your employees performance</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>26. Employee performance is indicated by the number of units produced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27. Employees in our MFIs were able to achieve the target by producing the units allocated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. The employees time taken per task is an indicator of performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29. Our employees were able to take the time allocated per task</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

30. In your firm, indicate briefly any other factor which may have led to improved
performance of employees………………………………………………………………………..
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

31. In your firm, indicate briefly what may have caused the trend of performance indicated in the above table…………………………………………………………………………………..
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

Thank you for your participation