

**COMPENSATION PRACTICES AND EMPLOYEES' PERFORMANCE IN THE
INSURANCE COMPANIES IN NAIROBI CITY COUNTY, KENYA**

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DECLARATION

This project is my original work and it has not been submitted for a degree award in any other University.

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DEDICATION

I would like to dedicate this research study to my spouse, children and family for their incredible sustenance in my studies. May Allah bless you.

ACKNOWLEDGMENT

I thank Allah for giving me wisdom and know how to undertake this project. I thank my supervisor Dr. David Kiiru for his unwavering support in this project. I thank my spouse, children and classmates for their support. Lastly, I thank all and sundry who gave me their support in this project, may Allah, the most gracious bless you.

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OPERATIONAL DEFINITION OF TERMS

- Effectiveness** : It will refer to the ability of employees to undertake tasks and accomplish them successful. Effectiveness will constitute one of the constructs for the dependent variable in this current research study.
- Efficiency** : Efficiency will refer to the capability to perform duties and complete them within the shortest period of time and though using minimum resources. Efficiency will constitute one of the constructs for the dependent variable in this current research study.
- Employees' performance** : It will refer to how well employees undertake to accomplish their given mandate and tasks at their work place. Employee performance will be proxied by low levels of absenteeism, effectiveness and efficient at work, low employee turn-over as well as proactive employees.
- Fringe benefits** : It will refer to the over and above salary compensation given to employees by their employers. Fringe benefits will be proxied by education support, transport benefits, health insurance and retirement plans.

- Individual Incentives** : It will refer to what employers do so as to motivate their employees. Aspects such as pay rise, bonuses, vacation allowances and paid leaves will constitute this variable
- Professional allowances** : It will refer to the benefits given to employees to help them meet some of their expenses such as house allowance, car allowance or hardship allowance.
- Salaries and wages** : It will refer to the compensation given to workers for undertaking a given task. Aspects such as monthly salaries and daily wages will constitute this variable.

ABBREVIATIONS AND ACRONYMS

AKI:	Association of Kenya Insurers
AMOS:	Analysis of Moments Structures software package
IRA:	Insurance Regulatory Authority
KES:	Kenya Shilling
ODPC:	Office of Data Protection Center
PLS:	Partial Least Squares
VIE:	Valence Instrumentality Expectancy

ABSTRACT

The insurance companies in Kenya have been posting poor employee performance results in the recent past. These instances could be seen from the increase in fraud cases involving employees in the insurance companies in Kenya. Employees' performance is fundamental for any organization, thus ought to be monitored. This in the premise that optimal employees' performance has a ripple effect on organizational performance. One way of boosting employees' performance is through compensating them well. This study therefore sought to research on the effect of compensation practices on employees' performance in the insurance companies in Nairobi City County, Kenya. Precisely, the study investigated the effect of salaries and wages, Professional allowances, Individual incentives and, Fringe benefits on employees' performance in the insurance companies in Nairobi. The equity theory, the expectance theory, the agency theory and the balanced scorecard theory were reviewed so as to support this proposal. The study used the descriptive research design. The target population was drawn from a pool of insurance companies operating in Nairobi. The stratified random sampling method was employed in picking the sample size of 162 units from the target population of 270 units. The employees in the human resources, finance and sales departments of the insurance companies in Nairobi constituted the earmarked respondents to this study. This current study employed primary quantitative data which was collected via questionnaires. Several diagnostic tests such as the test for normality, linearity, autocorrelation and multicollinearity were carried out in this study. F-test in ANOVA as well as the coefficient of determination was conducted before ultimately running the regression model. The p-value statistics from the regression model was used in answering the research questions. Ultimately, conclusion and recommendation were given. The study used tables, graphs, charts and plots in presenting the overall trend of the data. The study revealed that salaries and wages, professional allowances, individual incentives and fringe benefits had a positive significant effect on employees' performance. The study concludes that offering competitive salaries helps attract top talent in a highly competitive industry. Professional allowances alleviate the financial burden of job-related expenses, leading to higher job satisfaction. Personalized incentives resonate more with employees, as they reflect individual preferences and values leading to higher levels of motivation and engagement, as employees feel their unique contributions are recognized and valued. The study recommends that the companies should conduct regular market surveys to ensure that salary offerings are competitive with industry standards. The companies should implement a structured bonus system tied to individual and team performance metrics. The companies should develop programs that reward employees for achieving specific performance metrics, such as sales targets or customer satisfaction scores. The companies should offer a strong health plans that cover a wide range of medical services, including mental health support.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

One of the fundamental functions of human resource Management (HRM) is the acquisition of qualified workforce in the organizations (Naidu & Satyanarayana, 2020). This is because human resources are crucial capitals in an organization and thus require proper management so that they can perform optimally (Afriyie, Twumasi, & Darko, 2020). Researchers believe that meticulous acquisition and utilization of the right factors of production enables organizations to realize their ultimate goal of shareholders' wealth maximization (Banafa, Kenga, Ifire, & Umulkulthum, 2022). The subtleties at work places calls for embracement of novel approaches of engaging the factors of production and conducting business if they want to report superior performance results (Ezenwakwelu, 2020)

However, engaging advanced technology is not sufficient if well-compensated workforce is not present (Yeti, 2020). Employee compensation is imperative because it fosters positive employee performances (Tehria, 2021). This is because well compensated employees are productive, actively participate in organization undertakings and consequently foster organization's competitiveness and survival (Afriyie, Twumasi, & Darko, 2020). It is therefore important for managers to always be intentional on their compensation practices (Darma & Supriyanto, 2020).

Compensation is the force behind employee's behavior and performance (Kanyanjua & Bonareri, 2022). Kanyanjua & Bonareri further argued that organizations must provide an

environment through proper compensation, which will motivate their employees to unleash their full potentials. Ezenwakwelu (2020) added that compensation is a sustaining factor whose existence positively affects employees' performance. With good compensation, employees assimilate self-satisfaction, contentment and commitment (Kidagisa & Mukanzi, 2021). These assimilated ingredients result to efficiency at the work-place (Kanyanjua & Bonareri, 2022)

In Europe, Thapa (2023) noted that embracing good compensation practices such as paying employees well, significantly affect their performance. The performance of employees was noted to have a ripple effect on the entire organizational performance (Thapa, 2023). Darma and Supriyanto (2020) studied compensation and employees' performance in Indonesia and concluded that compensation practices affect employee's performance. Darma and Supriyanto reported a 5% increase in overall organizational performance by companies in Indonesia which were practicing good compensation practices.

In India, Candradewi and Manuati (2022) also concluded that compensation practices affect employee's performance in their study. Candradewi and Manuati reported that over 79% of companies in India have embraced different compensation practices such as commuter allowances and fringe benefits in attempt to boost the performance of their employees. Candradewi and Manuati noted that companies in India are embracing good compensation practices because researches have indicated that it has an overall effect on the organizational performance. Similar sentiments were echoed by Thapa (2023) in their study in Europe.

The global perspective section revealed that compensation practices have attracted the attention of various scholars from across the globe. These instances therefore indicates that compensation practices are an integral component in determining employees' performance.

In the region of Africa, compensation of employees has received a huge attention in the recent past, this is in line with the workers push towards decent rewards on work done (Afriyie, Twumasi, & Darko, 2020). Compensation practices have over time evolved from remunerating people using goods to monetary terms of remuneration (Ezenwakwelu, 2020). It has been noted in the region that the various compensation practiced by companies affect their employees' performance.

For instance, in Ghana, Afriyie, Twumasi and Darko, (2020) reported that compensation practices affect employee's performance. Afriyie, Twumasi and Darko noted a 7% overall increase on the performance of companies in Ghana that had embraced good compensation practices. The study by Afriyie, Twumasi and Darko which was carried out at Technical University in Ghana also reported a decrease on employees turn over rate and absenteeism at the university after the institution implemented quality compensation practices.

In Nigeria, Onuorah, Okeke and Ibekwe (2021) reported a 10% increase in efficient accomplishment of task by employees in the manufacturing companies. This level of efficiency was prompted by the good compensation practices implemented by the manufacturing companies in Nigeria (Onuorah, Okeke, & Ibekwe, 2021). Onuorah,

Okeke and Ibekwe also reported a 20% increase on employee retention by those companies which had embraced good compensation practices in Nigeria.

The regional perspective section indicates that compensation practices are integral components in determining the performance of employees in the African region. These section also revealed that companies in Africa are moving towards ensuring that they take good care of their employees. This is because studies from the region have indicated that those companies which took good care of their employees by compensating them well ended up reporting improved organizational performance results.

In Kenya people and companies are also practicing several avenues of compensating their employees, such as cash rewards and other fringe benefits (Omollo & Oloko, 2019). It has been noted here in Kenya that the various compensation practices used by various companies affect employees' performance (Omuya, 2021).

In their study on commercial banks in Migori county, Omollo and Oloko (2019) reported that the banking industry is facing stiff completion from other financial institutions such as the Saving and Credit Cooperative Societies (SACCO) have also embraced various compensation. Omollo and Oloko noted an increase in the overall bank performance as a result of having happy employees who are committed to their work due to good remuneration packages.

These instances in the local perspective therefore means that, the concept of compensation and employees' performance is an integral component in determining the overall organizational performance. These scenarios therefore instituted the need to carryout research studies in all sectors of the Kenyan economy so as to establish their

compensation levels. This current research was undertaken in the insurance companies in Kenya, specifically in Nairobi City County.

1.1.4 Compensation Practices

Compensation practices refer to the various forms and avenues of rewards which employers give their employees in exchange of the services rendered to the company (Afriyie, Twumasi, & Darko, 2020). It constitutes the entire value proposition offered to the employees by their employers (Ezenwakwelu, 2020). Compensation can take any form of rewards such as salaries and wages payments, fringe benefits, as well as allowances (Kidagisa & Mukanzi, 2021). Compensation can as well take the form of direct rewards or indirect rewards (Kidagisa & Mukanzi, 2021). Compensation can be visualized as the driving force behind a dedicated workforce (Naidu & Satyanarayana, 2020). Onuorah, Okeke and Ibekwe (2021) further confirmed that compensation is a fundamental component for any organization wishing to perform better and achieve its predetermined goals. This is in the premise that a well-compensated workforce is a motivated workforce which goes out of its way to deliver on its mandates (Nzyoka, Muli, & Obere, 2020).

Mudhofar (2021) added that the construction of a robust compensation practice ought to be the top priority of any organization which desires to report positive employees perform results. Omollo and Oloko (2019) pinpointed that good compensation practices should focus on the employee as a whole not just salaries and wages but also include aspects such as fringe benefits and other professional allowances. This current study intends to consider the various compensation practices implemented in the insurance companies. The compensation practices which were studied intently in this study

included salaries and wages, professional allowances, individual incentives as well as fringe benefits. These compensation practices constitute the independent variables of this research.

The fringe benefits, individual incentives, professional allowances and salaries and wages constituted the sub variables for the compensation practices independent variable in this present study. Fringe benefits refer to the over and above salary compensation given to employees by their employers. The Fringe benefits variable was proxied by education support, transport benefits, health insurance and retirement plans. Individual incentive refers to what employers do so as to motivate their employees. Aspects such as pay rise, bonuses, vacation allowances and paid leaves constituted this variable. Professional allowance refers to the benefits given to employees to help them meet some of their expenses such as house allowance, car allowance or hardship allowance. Professional allowance formed one of the variables in this research. Salaries and wages refer to the compensation given to workers for undertaking a given task. Aspects such as monthly salaries and daily wages constituted this variable.

1.1.5 Employees Performance

Employee performance relates to how effective and efficient workers undertake to execute their assigned tasks, jobs, duties and responsibilities (Candradewi & Manuati, 2022). Employee performance is fundamental in any organization, this is because, it takes the personnels' efforts in working towards achieving the organizational wide goals and objectives (Marewo, Mutongi, Thabani, & Nyoni, 2020). This entails that without a well-motivated and performing workforce, the entity will not reach its desired aspiration (Darma & Supriyanto, 2020).

Employee performance constitute one of the non-monetary performance pointers engaged in measuring the performance of entities as recognized in the balance scorecard (Tayari & Mutinda, 2023). This means that the performance of the employees ought to be monitored closely if the organization wishes to report significance performance results (Atieno & Kyongo, 2020). This is because having all factors of production, but without employees do the job, the organization will end up reporting poor performance results (Marewo, Mutongi, Thabani, & Nyoni, 2020).

Okeke, Oboreh, Nebolisa, Esione and Chukwuemeka (2023) emphasized the imperative of monitoring closely the employees' performance for the success of the entire organization. Tayari and Mutinda (2023) added that employees who are well compensated will exhibit satisfaction and motivation features which are key for fostering organizational performance. This means that the inclusive outcome of companies can be seen from the overall satisfaction index of the employees (Mohamud, Ibrahim, & Hussein, 2020).

Employee performance constituted the dependent variable in this current research. The employee performance dependent variable was proxied by low levels of absenteeism, affective and efficiency in task accomplishment, low levels of employee's turn over as well as independent and proactive employees.

1.1.6 Insurance Companies in Nairobi City County

Insurance companies are entities which are regulated by the Insurance regulatory Authority (IRA) and mandated to undertake various insurance business (Kiptoo, Kariuki, & Ocharo, 2021). The IRA was formed in 1986 so as to standardize and oversee the

insurance trade in Kenya (IRA, 2023). The insurance companies function under the Association of Kenya Insurers which was formed in 1987 to foster sensible business functionalities, construct cognizance amongst civic as well as accelerating development of insurance industry in the country (AKI, 2022).

Insurance companies operate under the policy of indemnity, whereby they promise to restore back their clients to the positions they were in before the occurrence of a given risk (Bogamuwa, Karunathilaka, & Gamage, 2020). The insurance entities insure individuals as well as companies against various risks such as fire, accident, health as well as political violence (IRA, 2023).

In Kenya there are a total of 5 reinsurance companies as well as 56 insurance companies which are regulated by the Insurance regulatory Authority (IRA, 2023). However, this study will narrow down to conduct its investigation on 18 selected insurance companies operating in Nairobi as shown in appendix iii. These companies will therefore constitute the basis for the construction of the population of study of this current proposal.

1.2 Statement of the Problem

The general performance of the insurance industry in Kenya has been sub-optimal in the recent past, for instance, the general insurance business underwriting results declined from KES 62, 454,000 in 2020 to a loss of -1,585,989,000 in the second quarter of 2023 (IRA, 2023). Absenteeism levels absconding duties by employees escalated from 1% to 3% in period between 2018 and 2023 (IRA, 2023). Lack of proactiveness and decline in employee's efficiency in terms of task accomplishment also witnessed a decline by 4% during the same period. The poor performance in the sector has been one of the reasons

behind collapse of some of the insurance companies (IRA, 2023). In 2015, the Insurance Regulatory Authority (IRA) reported increase in fraud cases in the insurance industry, for instances, fraud cases amplified from 88 cases involving KES 102M to 93 cases involving KES 324M (IRA, 2023). Out of these cases reported, six cases worthy 14.5M involved employees and 21 cases worthy 17.8M involved agents of the insurance companies (IRA, 2023). The main reason for the insurance companies' employees' engagement in fraud could be attributed to inferior remuneration packages given to them emanating from poor compensation practices (Kiptoo, Kariuki, & Ocharo, 2021). Again, the engagement in fraud cases by the employees in the insurance companies, showcase that employees in this sector are not performing optimally.

Reviewed studies around the globe such as the studies by Naidu and Satyanarayana (2020) in India, Afriyie, Twumasi and Darko (2020) in Ghana as well as Kidagisa and Mukanzi (2021) in Kenya advocate for good compensation practices as an avenue of subverting poor employees' performance and ultimately achieve superior organizational performance. Notwithstanding the momentous impact of compensation practices on employees' output, limited deliberations have been conferred to this concept in the insurance companies in Kenya, which is the intention of this present research. The reviewed studies staged the methodological, contextual and the conceptual gaps which this present research intends to fill.

The poor employees' as well as the organizational performance recorded by the insurance companies in the recent past together with the gaps stemming from the read studies motivated this present research. This research therefore was geared towards endeavoring

to unravel the effect of compensation practices on employees' performance in the insurance companies in Nairobi City County, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

To investigate the effect of compensation practices on employees' performance in the Insurance Companies in Nairobi City County, Kenya.

1.3.2 Specific Objectives of the Study

1. To determine the effect of Salaries and wages on employees' performance in the insurance companies in Nairobi City County, Kenya.
2. To determine the effect of professional allowances on employees' performance in the insurance companies in Nairobi City County, Kenya.
3. To investigate the effect of individual incentives on employees' performance in the insurance companies in Nairobi City County, Kenya.
4. To determine the effect of fringe benefits on employees' performance in the insurance companies in Nairobi City County, Kenya.

1.4 Research Questions

1. What is the effect of Salaries and wages on employees' performance in the insurance companies in Nairobi City County, Kenya?
2. What is the effect of Professional allowances on employees' performance in the insurance companies in Nairobi City County, Kenya?
3. What is the effect of Individual incentives on employees' performance in the insurance companies in Nairobi City County, Kenya?

4. What is the effect of Fringe benefits on employees' performance in the insurance companies in Nairobi City County, Kenya?

1.5 Significance of the Study

This research would be beneficial to varied sectors. Firstly, the insurance industry in Kenya would be furnished with current information regarding their employees' compensation levels and performance. This would aid the industry in formulation of future policies regarding employees' compensation. The findings of this research would help the public in making informed employment decisions which would affect their dealings with the insurance industry in the future.

Various policy formulation bodies such the insurance regulatory authority (IRA) would benefit from the outcomes of this research as they would be furnished with information which would constitute the basis for their future policy formulation. The scholarly world would as well benefit from the outcomes and the endorsements from this research. The current outcomes would enhance to the prevailing knowledge base in human resource studies whereas the recommendation for further studies would constitute a basis for future research studies.

1.6 Scope of the Study

The research was geared towards establishing the Effect of Compensation Practices on Employees' Performance in the Insurance Companies in Nairobi City County, Kenya. The insurance companies which were considered for investigation in this research was 18 entities, spread across Nairobi as shown in appendix iii. Each of the 18 firms contributed fifteen (15) employees towards formation of the target population of study. This research

employed primary quantitative data which was amassed via questionnaires in the period between September and November 2024. The data to be collected was only limited to the study variables which include; Salaries and wages, Professional allowances, Individual Incentives, Fringe benefits as well as Employee's Performance.

1.7 Limitation of the Study

The researcher expects unresponsiveness from participants, this was countered by asking easy questions as well as making follow-up calls. In order to overcome respondents' reluctance to submit specific sensitive information out of fear or owing to ethical obligations, the researcher assured them utmost discretion by using codes to hide the respondents' identification. An introduction letter from Kenyatta University as well as the Office of Data Protection Commissioner (ODPC) further assured the confidentiality of the respondents. Enough money was collected in order to cover all financial obligations related to this research study. Planning appropriately and in advance warranted smooth running of the entire study process. Study time lines were followed to the latter so as to minimize time wastages.

1.8 Organization of the Study

Chapter one of this research consists of the background of the study, statement of the problem, general and specific objectives, research questions, significance, limitations and organization of the study. Chapter two comprise of the theoretical and empirical literature review, summary of research gaps, and the conceptual framework. Chapter three consists of the research design, population of study, sampling procedure and sample size

determination, research instrument, test of validity, test of reliability, procedure for data collection, analysis and presentation of data, as and the ethical issues consideration.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section conducts a theoretical review so as to give this research a concrete theoretical background. The chapter also undertakes an empirical literature review as well as critique of the same in order to bring out the research gap which this present research proposes to address. Ultimately, the chapter presents the conceptual framework.

2.2 Theoretical Literature Review

Theories are set of notions containing propositions which presents rational enquiry among variables through specification of relationships (Saunders, Lewis, & Thornhill, 2019). The foundation of theories is to illuminate on factors so as to bring out clarity in phenomenon (Lakens, 2022). Theoretical review helps researchers in interpreting and understanding the way things are as well as the foundation of a particular course of action (Kivunja, 2018). This study was reinforced by the Equity, the Expectancy, the Agency as well as the Balanced Scorecard Theory.

2.2.1 The Equity Theory

The Equity theory which is a social psychological theory was first propagated by Adams in the 1960s (Nzyoka, Muli, & Obere, 2020). This theory focuses on fairness and equity in social exchanges (Yeti, 2020). This theory postulates that employees always compare their compensation with the compensation of other employees within the organization, industry or even some relatives (Afriyie, Twumasi, & Darko, 2020). Candradewi and Manuati (2022) noted that the presence of some inequality in compensation among

individuals has a far-reaching effect on the motivation levels of employees which ultimately affects their performance at work. This theory therefore advocates for fairness in compensating employees so that they may all exhibit some zeal and enthusiasm in their work and eventually propel the organization towards better performance levels (Onuorah, Okeke, & Ibekwe, 2021). Siddiqi and Tangem (2020) further noted that presence of inequality in compensating employees not only demotivates them from working hard but also pushes them towards some kind of industrial actions which might paralyze the operation of the organization. This theory supported both the independent and the dependent variables, because all employees expect to be treated equitable in terms of their salaries and wages, professional allowance, individual incentives as well as in terms of fringe benefits. When the employees have been treated equitable, the resultant effect will be positive employees' performance.

According to the equity theory therefore, managers should always strive to be fair when dealing with their employees' as far as compensation is concerned (Nzyoka, Muli, & Obere, 2020). When employees are compensated in a fair and equitable manner, they tend to be happy and always focus on performing better and this has a ripple consequence on the bottom line of the firm's performance (Thapa, 2023). The equity theory is therefore relevant in this present study. The equity theory's relevance in this present study prompted its close study so as to underpin the study variables. Precisely, the theory will support the salaries and wages as well as the professional allowance independent variables used in this current research study.

2.2.2 The Expectancy Theory

The expectancy theory is also known as the Valence Instrumentality Expectancy (VIE) theory and it was first put forward by Victor Vroom in the 1960s (Tayari & Mutinda, 2023). The expectancy theory is a psychological theory of motivation which postulates that individuals are motivated to work based on their belief on what they anticipate to receive at the end of the work done (Afriyie, Twumasi, & Darko, 2020). Kimani, Ngui and Arasa (2020) added that the expectation that employees have on a given task tends to mold their behavior towards accomplishing that task. Employees who have low expectation with reference to the reward from a given task will tend to have low morale towards work as compared to their counterparts who have high expectations (Lloyd & Mertens, 2020).

The expectancy theory shapes the performance of employees at the workplace, this is because those employees who have high expectations on their work tends to work hard and perform better which eventually results into positive organizational performance (Kanyanjua & Bonareri, 2022). Kidagisa and Mukanzi (2021) proposed that employee's expectation at the workplace must be monitored and managed effectively, because high expectations when not met tend to demoralize the employees in their subsequent endeavors with the organization. This theory is therefore relevant in this current study which focuses on establishing the consequences of compensation practices on employee's outcomes. The theory's relevancy therefore stimulated its study so as to underpin the studies' variables. The expectancy theory supported the independent variables which will be used in this study. The variables supported by the expectancy theory in this current

research study included the salaries and wages, the individual incentives as well as the fringe benefits variables.

2.2.3 The Agency Theory

This theory was explicitly propounded by Stephen Ross and Barry Mitnick in 1973, however much propounding's works on the agency theory was advanced by Micheal Jensen and William Meckling in 1976 (Afriyie, Twumasi, & Darko, 2020). In their paper Ross identified the agency problem as generic in the society and just a mere problem in the theory of the firm (Darma & Supriyanto, 2020). The theory elaborates on the rapport between company owners and their managers (Kiptoo, Kariuki, & Ocharo, 2021). Here, the owners engage agents to work on their behalf (Marewo, Mutongi, Thabani, & Nyoni, 2020). Exponents of this theory, assume employee to behave in a way to fulfill their own aspirations and not the aspirations of the company owners, thus resulting to the agency problem (Dzingai & Fakoye, 2021). In this theory, the agents may yield to egotism and unprincipled demeanor, hence falling short of the owners' pursuits. To help curb this problem, researchers proposed that companies should compensate their employees well so that they not at any time think of pursuing their own interests but the interest of the company (Lloyd & Mertens, 2020). This is in premise that well compensated employees will tend to be loyal and post good performance results which ultimately contribute to the general performance of the company (Permana, Aima, & Ariyanto, 2021)

This theory has been used in recent research studies on compensation Afriyie, Twumasi and Darko (2020), Darma and Supriyanto (2020) as well as Kimani, Ngui and Arasa (2020). The usage of this theory recent studies around the concept of compensation pinpointed the theory's relevance, thus its application in this present study so as to

support the study variables. specifically, this theory supported the salaries and wages, professional allowance, individual incentives as well as the fringe benefits variables. The agency theory also supported the employee's performance variable because when there is a cordial rapport amid the principals and the agents of the company, then the employees who are the agents, will work to their level best thus boost their performance levels.

2.2.4 The Balanced Scorecard Theory

This concept was propounded by Kaplan and Norton in the 1992, the theory postulates that company's performance should be wholistic, encompassing both financial and financial parameters(Rafiq, Maqbool, & Rui, 2021). This approach ensures that the overall performance index of the company reflects a true and fair view of the company under consideration (Kadir, AlHosani, & Sehan, 2023).The theory was a progression of the Lewis' General Electric corporate analysis strategy of 1952, supports the use of monetary and non-monetary factors in establishing the performance of companies (Hristov, Antonio, & Andrea, 2023). This method paves way a wholistic evaluation of a company.

The suggestions forwarded by Kaplan such as the learning and growth, financial, customer and internal process perspectives ensures that the performance of entities is monitored at all levels (Rafiq, Maqbool, & Rui, 2021). The theory therefore warrants successful monitoring of employees' performance and the outcomes of the entire entity. The balanced scorecard theory is pertinent in this study, and it was precisely be used in supporting the employee's performance dependent variable.

2.3 Empirical Literature Review

The concept of compensation practices has attracted the attention of a wide score of researchers globally, due to its immense contribution on the performance of employees. This section undertakes an empirical literature review from current research studies conducted around the globe on the concept of compensation and employee performance. The empirical review is conducted in an attempt to bringing out the gaps in research which this present study endeavors to address.

2.3.1 Salaries and Wages and Employees' Performance

Salaries and wages refer to the compensation given to workers for undertaking a given task (Afriyie, Twumasi, & Darko, 2020). Monthly salaries, daily wages, timely payment of salaries and wages as well as the amount of salary and wages constituted the proxies for the salaries and wages variable in this study. Thapa (2023) considered salaries and wages in his study on the impact of compensation towards the performance of employees performance. The researcher employed motivation as moderating variable in his study. The study by Thapa was conducted in the banking industry and it employed a causal-comparative research design. The researcher used questionnaires in data analysis. The researcher analyzed his data via the Partial Least Square (PLS) method and concluded that salaries and wages affect employee's performance. This present study was conducted in Kenya, specifically in the insurance sector as opposed to the research by Thapa which was conducted in Nepal, thus addressing the contextual gap. This present research espoused the descriptive design and the multiple linear regression model, contrary to the study by Thapa which used the PLS, thus addressing the methodological research gap. This current research study also intended to conceptualize its study variables in a

different manner from Thapa, who used a moderating variable, thus addressing the conceptual gap.

Kimani, Ngui and Arasa (2020) researched compensation and employee performance at the Mombasa Cement Limited. The study by Kimani, Ngui and Arasa was conducted in the mining industry and it was supported by the Herzberg two factor theory as well as the total reward model. Kimani, Ngui and Arasa used the survey design and the data collected was quantitative in nature. Kimani, Ngui and Arasa analyzed their data via the regression model enshrined in the statistical package for sciences and concluded that salaries and wages significantly affect employee's performance. In addressing the methodological, conceptual and contextual research gaps from the study by Kimani, Ngui and Arasa, this present study was supported by the expectancy theory and it employed the descriptive design. The present research also used quantitative data.

In another study, Candradewi and Manuati (2022) researched on compensation and employee performance in Indonesia Candradewi and Manuati (2022) espoused the saturated sampling technique in their sample size calculation whereas data analysis was via the Partial Least Squares (PLS) method. The researchers employed hypothesis in their study and concluded that salaries and wages affect employees' performance at Wisma Prashanti Hospital in Indonesia. In addressing the methodological, conceptual and contextual research gaps from the study by Candradewi and Manuati, this current research was conducted in the insurance industry in Kenya and it employed the stratified random sampling technique. The present research also used the multiple linear regression analysis method in its data analysis.

In east Gadavari district in India, Vogireddy (2020) researched on impact of compensation on employee performance. Vogireddy employed the descriptive research design as well as the simple linear regression model in undertaking his research study. After data analysis, Vogireddy reported that salaries and wages affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Vogireddy, this current study was done in the insurance industry in Kenya and also used the descriptive design and the multiple linear regression model.

2.3.2 Professional Allowances and Employees' Performance

Professional allowances refer to the benefits given to employees to help them meet some of their expenses such as house allowance, car allowance or hardship allowance (Mudhofar, 2021). In their study Kidagisa and Mukanzi (2021) considered compensation and employees. The researchers espoused the descriptive design as well as the simple random sampling technique in their sample size determination. Kidagisa and Mukanzi collected their data collection via questionnaires. Kidagisa and Mukanzi used the simple linear regression model in the SPSS package in their data analysis and concluded that professional allowances affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Kidagisa and Mukanzi, this present research study was done in the insurance industry, and it employed the stratified random sampling method. This present research also employed the multiple linear regression model in its data analysis.

Mudhofar (2021) researched on compensation practices and employee performance in Lumanjag city in Indonesia. The researcher used the Structural Equation Modeling (SEM) enshrined in the Analysis of Moments Structures (AMOS) software package. The

researchers used quantitative data in his study which was collected using questionnaires. The researcher used hypothesis and concluded that professional allowances affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Mudhofar, this current study used the regression model in SPSS in its data analysis and it was done in the insurance industry in Kenya.

In another study, Omuya (2021) researched on the influence of compensation and rewards on employee performance in the public universities in Kenya. The researcher espoused the descriptive research design and the simple random sampling technique. The researcher used the simple linear regression model in her data analysis and concluded that professional allowances affect employee performance. In addressing the methodological, conceptual and contextual research gaps from the study by Omuya, this present research study was done in the insurance industry and it espoused the stratified random sampling technique, whereas data analysis was through the multiple linear regression model.

In Malaysia, Kadir, AlHosani and Sehan (2023) researched on compensation and employee performance. The Malaysian based researchers employed the mixed research design in undertaking their study. Kadir, AlHosani and Sehan also used research questions as well as the multiple linear regression models. Kadir, AlHosani and Sehan analyzed data via the Statistical package for social sciences. Kadir, AlHosani and Sehan concluded that professional allowances affect employees' performance in Malaysia. In addressing the methodological, conceptual and contextual research gaps from the study by Kadir, AlHosani and Sehan, this research was done in the insurance companies in Kenya and it also used research questions as well as the multiple linear regression model.

2.3.3 Individual Incentives and Employees' Performance

Individual incentives refer to what employers do so as to motivate their employees in terms of pay rise, bonuses, vacation allowances and paid leaves (Afriyie, Twumasi, & Darko, 2020). In their study, Nzyoka, Muli and Obere (2020) researched on compensation practices and employees' performance. The researchers employed the descriptive design in their study whereas the data was amassed via semi-structured inquiry form. The researchers used hypothesis and data analysis was via the multiple linear regression method. After data analysis, the researcher resolved that individual incentives affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Nzyoka, Muli and Obere, this present study employed the descriptive design and structured questions in data collection. The present research also used hypothesis and analyze data via the regression method in SPSS.

Afriyie, Twumasi and Darko (2020) studied compensation and employees' performance in Ghana and concluded that individual incentives affect performance of employees. Afriyie, Twumasi and Darko was carried out at the Technical University of Ghana. The researchers espoused the descriptive research design whereas sample size determination was via the simple random sampling technique. The study by Afriyie, Twumasi and Darko used research questions. In addressing the methodological, conceptual and contextual research gaps from the study by Afriyie, Twumasi and Darko, this present research study was done in Kenya, and it employed the stratified random sampling technique and hypothesis instead of research questions.

Naidu and Satyanarayana (2020) researched on compensation and employee's performance in India and concluded that individual incentives affect employees' performance. The study by Naidu and Satyanarayana embraced the descriptive research design whereas the expectancy theory guided their study. In addressing the methodological, conceptual and contextual research gaps from the study by Naidu and Satyanarayana, this present research study was done in Kenya, precisely in the insurance industry and it employed a descriptive research design and the multiple regression model. This present study was also supported by several theories such as the Macgregor theory of motivation as well as the equity theory.

Mudhofar (2021) researched on compensation practices and employee performance in Lumanjag, Indonesia. The researcher used the Structural Equation Modeling (SEM) enshrined in the Analysis of Moments Structures (AMOS) software package. The researchers used quantitative data which was collected via questionnaires. The researcher used hypothesis and concluded that individual incentives affect employees' performance. In addressing the methodological, conceptual and contextual research gaps from the study by Mudhofar, this current study used the regression model in SPSS in its data analysis and it was done in the insurance industry in Kenya.

2.3.4 Fringe Benefits and Employees' Performance

Fringe benefits refer to the over and above salary compensation given to employees by their employers in form education support, transport benefits, health insurance and retirement plans (Darma & Supriyanto, 2020). Onuorah, Okeke and Ibekwe (2021) researched on compensation management and employees' performance in Nigeria and concluded that fringe benefits affect employee performance. The study by Onuorah,

Okeke and Ibekwe revolved around the human capital theory and the research design adopted was the descriptive one. The study conducted a census on the entire population. The researchers employed both research questions and hypothesis in their study. In addressing the methodological, conceptual and contextual research gaps from the study by Onuorah, Okeke and Ibekwe, this research was done in Kenya and it employed research hypothesis in its investigation.

In another study on compensation and employees' performance, Darma and Supriyanto (2020) concluded that fringe benefits affect employee's performance. The study by Darma and Supriyanto was carried out in telecommunication industry in Indonesia. The researchers used questionnaires in collecting data and analysis of data was via the Smart PLS software. The researchers also employed the explanatory research design in their study, whereas sample size determination was through the saturation sampling techniques. In addressing the methodological, conceptual and contextual research gaps from the study by Darma and Supriyanto, this present study was done in the insurance industry in Kenya and it employed the stratified random sampling and the multiple linear regression model.

Siddiqi and Tangem (2020) researched on compensation and employees' performance in the insurance industries in Bangladesh and concluded that fringe benefits affect employees' performance. The study by Siddiqi and Tangem used the descriptive research design, data was collected via questionnaires and interviews. The researchers analyzed their data using the multiple linear regression model enshrined in the AMOS software. In addressing the methodological, conceptual and contextual research gaps from the study by Siddiqi and Tangem this current study was done in Kenya and it used research

questions in data collection. The present study also used the regression model enshrined in SPSS in analyzing its data.

In Malaysia, Kadir, AlHosani and Sehan (2023) researched on compensation and employee performance. The Malaysian based researchers employed the mixed research design in undertaking their study. Kadir, AlHosani and Sehan also used research questions as well as the multiple linear regression method. Kadir, AlHosani and Sehan analyzed their data via the Statistical package for social sciences. Kadir, AlHosani and Sehan concluded that fringe benefits affect employees' performance in Malaysia. In addressing the methodological, conceptual and contextual research gaps from the study by Kadir, AlHosani and Sehan, this research was done in the insurance companies in Kenya and it also used research questions as well as the multiple linear regression model.

2.4 Summary of Literature Review and Research Gap

Table 2.1: Summary of Literature Review and Research Gap

Researchers	Topic	Findings	Research Gap	Addressing the Gap
Salaries and wages and employees' performance				
Candradewi and Manuati (2022)	Compensation and employee performance	Salaries and wages affect employees' performance at Wisma Prashanti Hospital in Indonesia	The study was done in the health industry in Indonesia. And data analysis was via the Partial Least Squares (PLS) method	This present study was done in the insurance industry in Kenya data analysis was via the linear regression method
Kimani, Ngui and Arasa (2020)	Compensation strategies and employees' performance	Salaries and wages significantly affect the performance of employees	The research was done in the mining sector. The scholars used the survey designs	This present research was done in the insurance industry and used the descriptive design
Thapa (2023)	Impact of compensation towards employee's performance in Nepal	Salaries and wages affect employee's performance	Research carried out in the banks. Research used the causal-comparative research design. The researcher analyzed	This present research was done in the insurance industry in Kenya. The

			his data via the Partial Least Square (PLS) method	present study employed the descriptive research
Vogireddy (2020.)	Compensation and employee performance	Salaries and wages affect employees' performance	The study was done in India, and it used the simple linear regression model	This research was done in Kenya and it used the multiple linear regression model
Professional allowances and employees' performance				
Kadir, AlHosani and Sehan (2023)	Effect of compensation and benefits towards employee performance	The study found that professional allowances affect employees' performance in Malaysia	The study was carried out in Malaysia and it employed the mixed research design,	The present research was conducted in Kenya and used the descriptive research design
Kidagisa and Mukanzi (2021)	Influence of compensation on employee's performance at the sugar companies in western Kenya	Professional allowances affect employees' performance	The study was done in the sugar processing industry. The researchers used the simple random sampling technique, whereas data analysis was via the simple linear regression technique	This present study used the stratified random sampling technique, whereas analysis of data was via the multiple linear regression

				model
Mudhofar (2021.)	Compensation and employee's performance in government offices in Lumajang Indonesia	Professional allowances and individual incentives affect employees' performance	The study was done in the government offices in Indonesia. The researcher used the Structural Equation Modeling (SEM) enshrined in the Analysis of Moments Structures (AMOS) software package in analyzing data	This study used the SPSS in analyzing its data, and was done in Kenya. this present study also used the regression model
Omuya (2021)	Compensation practices and employee performance in the public universities in Kenya	Professional allowances affect employee performance	The study used the simple random sampling technique as well as the simple linear regression model in its data analysis	The present research used the stratified random sampling technique in its sample size determination
Individual incentives and employees' performance				
Afriyie, Twumasi and Darko (2020)	Compensation and employees' performance in Ghana	The researchers concluded that individual incentives affect employees' performance	The study was done at the technical University of Ghana. The researchers employed the simple random	The present research was done in Kenya and used the stratified random sampling

			sampling technique	technique
Naidu and Satyanarayana (2020)	Compensation and employee's performance in India	The researchers concluded that individual incentives affect employees' performance	The study used the descriptive research design whereas the expectancy theory guided their study.	This present study used the descriptive design and was done in Kenya.
Nzyoka, Muli and Obere (2020)	Compensation practices and employees' performance	The study found that individual incentives affect employees' performance	The study used semi structured questionnaires in data collection and it was done in the biscuit companies in Nairobi	This present study used structured questionnaires in its data collection and it was done in the insurance industry.
Fringe benefits and employees' performance				
Darma and Supriyanto (2020)	Compensation practices and employee performance	The researchers concluded that fringe benefits affect employee's performance	Research carried out in the telecommunication sector in Indonesia. the study used the explanatory research design. Scholars analyzed their data via the Smart PLS software	Present research to be carried out in the insurance industry in Kenya. The researcher used analyze data via SPSS
Onuorah,	Compensation	Fringe benefits	The study was done	This present

Okeke and Ibekwe (2021)	management and employees' performance in Nigeria	affect employee performance	in Nigeria and it employed the census technique in its study. The researchers used both questions and hypothesis in their study	study used samples which was determined via the stratified random sampling technique. The present research only used hypothesis
Siddiqi and Tangem (2021)	Compensation and employees' performance in the insurance industries in Bangladesh	The researchers concluded that fringe benefits affect employees' performance	Scholars analyzed data using the multiple linear regression model in the AMOS software	This present study analyzed data via the multiple linear regression model in SPSS

2.5 Conceptual Framework

A conceptual framework is a diagrammatic representation of the relationship between the dependent and the independent variables under inquiry (Cooper & Schindler, 2019). The changes in the dependent variables are normally instigated by the changes in the independent variables (Dannels, 2018). The conceptual framework guiding this current research study was developed as shown in figure 2.1.

Independent Variables

Dependent Variable

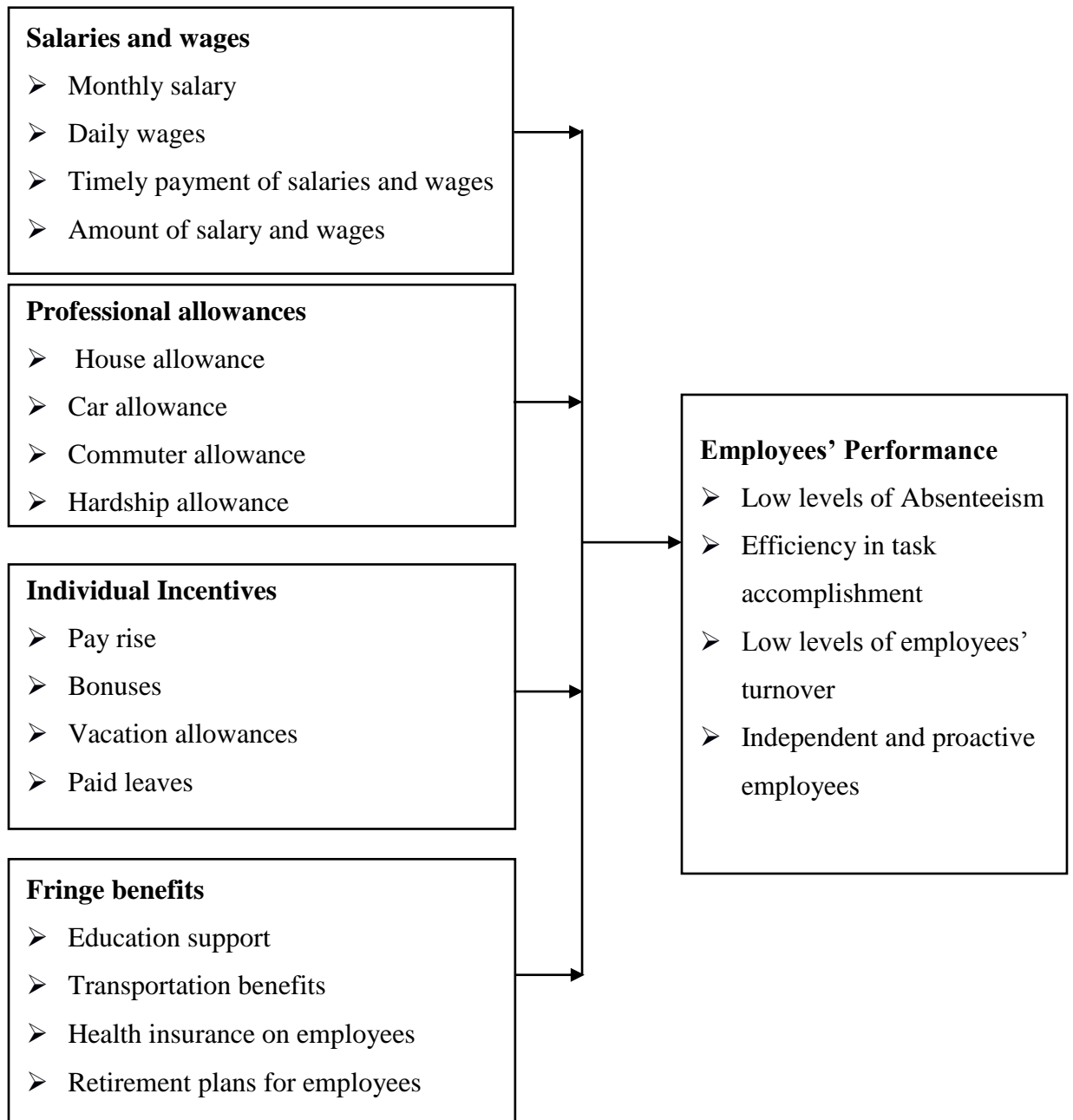


Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three precisely deliberate on the research design, the target population, the sampling and the sample size determination, data collection instruments as well as procedures. A pilot study is also conducted in this section. Finally, the chapter discusses the data analysis and presentation which culminate in the answering the research questions.

3.2 Research Design

Research design is the stratagem adopted in research and it entails detailed action plans pertaining on how the research study was undertaken (Dannels, 2018). This research study employed the descriptive research design. The descriptive research design which was adopted was instrumental in elucidating the relationship between the study variables (Bell, Bryman, & Harley, 2019). The choice of using this design was anchored on the desire to study the earmarked variables in their natural setting without manipulating them. This approach would warrant the acquisition of unbiased information (Kothari & Garg, 2019). The descriptive approaches which was used in this study was in form of the measure of central tendencies and the measure of dispersion. Correlation analysis was also done in order to further understand the forte of the association amid the study variables. The descriptive research design was also fundamental in facilitating the adoption of quantitative data collection approaches as well as the development of the multiple linear regression model (Lakens, 2022).

3.3 Target Population

It refers to the set of characters with collective apparent features diverse from others (Kothari & Garg, 2019). This study's target population constituted fifteen (15) employees from each of the eighteen (18) selected insurance companies in Nairobi, thus making a total target population of 270 units. The employees who took part in this study comprised of seven (7) employees from the human resources department, four (4) employees from the finance department and four (4) employees from the sales department of each of the eighteen (18) selected insurance companies in Nairobi. The employees in the human resource department, finance department and the sale department were nominated to participate in this research because the researcher deemed them to be appropriate in responding to the formulated research questions. The choice to engage the employees from the three departments (human resource, finance and sales departments) was motivated by the quest to get a wider perspective on the variables under inquiry. The insurance companies which took part in this study are as shown in appendix iii, whereas the target population was constructed as in table 3.1.

Table 3.1: Target Population of Study

Department	No of Employees	Number of Insurance Companies	Target Population
Human Resource Department	7	18	126
Finance Department	4	18	72
Sales Department	4	18	72
Target Population			270

3.4 Sampling Procedure and Sample Size

Sampling is a procedural approach of determining the final participants out of the population (Lakens, 2022). A random sample of not less than 10% of the target population is considered as a sufficient archetypal of the entire population for the purposes of results generalization (Kaliyadan & Kulkarni, 2019). The Taro Yamane 1967 formular was employed in the sample size determination as shown in equation 3.1

$$n = \frac{N}{1 + Ne^2}$$

.....

Eq 3.1

Where:

N: Target population

n: Sample size

ε: Error term

Therefore,

$$n = \frac{270}{(1+(270*0.05^2))}$$

n = 162

After words the stratified random sampling technique was used in choosing the 162-sample size out of the target population. The 162 samples were selected proportionately out of each strata forming the target population. Proportionate random stratified sampling technique was used in this study in arriving at the ultimate sample size so as to avoid issues of under or over representation from any given strata (Saunders, Lewis, & Thornhill, 2019). The ultimate sample size was given in table 3.2.

Table 3. 2: Sample Size

Department	Target Population	Sample Size
Human Resources Department	126	76
Finance Department	72	43
Sales Department	72	43
Sample Size		162

3.5 Data Collection Instruments

This research used primary quantitative data and it was gathered using questionnaires rated in accordance with the Likert 5-point scale. The questionnaire which was used in this study was adopted from Afriyie, Twumasi and Darko (2020) and modified so as to fit the current research.

3.6 Data Collection Procedure

This study used questionnaires incorporating the 5-point Likert scale in data collection. Data collected via questionnaires ensures a relaxed mode to respondents when responding to the questionnaires, since they can fill them at their place of comfort as well as at their own free time (Bell, Bryman, & Harley, 2019). Dannels (2018) added that data collected via the 5-point Likert scale is easy to code and analyze. Furthermore, the questionnaires incorporating the Likert type scale enables the researcher to acquire the level of concordance or discordance from the respondent regarding the variables under inquiry. The targeted respondents to this current study were employees in the human resources department, finance department as well as sales departments of the insurance companies in Nairobi.

3.7 Pilot Study

Pilot testing of the research instruments were conducted so as to test their validity and reliability before embarking on the full data collection exercise. The pilot study also gives researchers an opportunity to conduct some diagnostic tests on the data so as to confirm the fitness of the model to be employed in data analysis. The pilot testing of the research instruments was conducted on 30 employees who were drawn from Mayfair and General Assurance companies. The respondents for the pilot testing of the research instruments were selected from the insurance companies in Mombasa County. These insurance companies were considered for pilot testing of the research instruments because they were not form part of the population upon which the sample size was constructed. This approach ensured that this current research study is free from biasness.

3.8 Validity and Reliability of Research Instruments

In order to enhance the quality of the research instruments, the researcher conducted both validity and reliability tests.

3.8.1 Validity Test of Research Instruments

It is the propensity towards ensuring that the considered sample size represents the contents that the researcher desired to ascertain (Saunders, Lewis, & Thornhill, 2019). Scrutinization and cross checking of questionnaires were carried out so as to determine content validity of the data to be collected. Face validity of the questionnaires was achieved by soliciting opinions from the insurance managers and the insurance relationship managers during pilot testing of the research instruments.

Constructs validity was ensured via a rigorous empirical and theoretical review of relevant literatures to the variables under inquiry. Discussion of the instruments with other scholars was undertaken in an attempt to improve on significance, clarity and validity, afterwards revision and removal of ambiguous items were removed so as to enhance research tools' quality

3.8.2 Reliability Test of Research Instruments

It is the propensity towards core constancy, it is the capability of tools to yield analogous outcomes when applied recurrently (Kothari & Garg, 2019). The Cronbach's Alpha was used to ascertaining the reliability of the questionnaires. The alpha coefficients range from 0-1, a higher scale value indicates a higher reliability on the instruments, Lakens (2022) pinpointed 0.7 to be a satisfactory reliability coefficient.

Table 3.2: Reliability Tests Results

Variable	α-value	Remarks
Salaries and wages	0.785	Reliable
Professional allowances	0.714	Reliable
Individual incentives	0.793	Reliable
Fringe benefits	0.776	Reliable
Employee performance	0.706	Reliable
Aggregate score	0.755	Reliable

Source: Pilot Study (2024)

The results as presented in Table 3.2 indicate that the aggregate alpha value was 0.755 which exceeds the 0.7 as recommended by Lakens (2022). Therefore, the questionnaire items were found to be reliable.

3.9 Data Analysis and Presentation

Data was cleaned and loaded into SPSS so as to generate descriptive, correlational and the regression statistics. Several diagnostic tests such as the test for normality, linearity, autocorrelation and multicollinearity were carried out in this study in order to ascertain fitness of the model. The F-test in ANOVA as well as the coefficient of determination test was conducted and interpreted before ultimately running the model. The p-values from the regression model were used in testing the significance of the association amid the variables under investigation. The multiple linear regression model was developed as shown.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y Represent Employee Performance

X₁ Represent Salaries and wages

X₂ Represent professional allowances

X₃ Represent Individual incentives

X₄ Represent fringe benefits

$\beta_0, \beta_1, \beta_2, \beta_3$ and β_4 Represent the beta coefficients

ε Epsilon term (error term)

3.10 Ethical Consideration

An introduction letter from Kenyatta University was acquired before embarking on the fieldwork activities. A research permit from NACOSTI was acquired ahead of the field works. Likewise, official consent from the insurance companies was sought. Informed consent and confidentiality to the participants was confirmed before collecting the data.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of the analysis of data collected from the field based on the response rate, background information of the respondents, descriptive statistics and regression analysis.

4.2 Response Rate

The questionnaires were administered to a sample of 162 respondents obtained from 3 departments namely; human resources department, finance department and sales department. The return rate is shown in Table 4.1.

Table 4.1: Response Rate

Category	Frequency	Percentage
Response	150	92.6
Non response	12	7.4
Total	162	100

Source: Research Data (2024)

Table 4.1 indicates that out of 162 respondents, 150 responded giving a response rate of 92.6% and 12 respondents did not resulting to a non-response rate of 7.4%. Baruch and Holtom (2014) recommended 80% or more on response rate is enough data analysis. Therefore, 92.6 % of the study response rate was considered appropriate for data analysis. Therefore, there was acceptance and credibility of the research findings of the study due to high response rate.

4.3 Descriptive Statistics Results

Descriptive statistics included Mean (M) and Standard Deviation (SD) generated using Statistical Package for Social Sciences (SPSS) were used to present the results of the quantitative data the results are presented in the section that follows;

4.3.1 Salaries and Wages

The following are descriptive statistics obtained for each statement that were used in explaining how salaries and wages influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 4.2.

Table 4.2: Salaries and Wages

Statements	M	SD
This insurance company pay salaries commensurate to the employees' work	4.56	0.44
The company has a clear policy on salaries	3.51	1.49
Daily wages are paid every day to the concerned workers	4.55	0.45
The day wages paid are proportionate to the work performed	4.50	0.50
This insurance company pays salaries and wages on time	3.23	1.77
Timely payment of salaries and wages act as motivation to the employees	3.94	1.06
This company pays heft salaries and wages	4.72	0.28
The salaries and wages paid have reduced cases of absenteeism	4.05	0.95
Aggregate score	4.13	0.868

Source: Research Data (2024)

According to the results in Table 4.2, the high mean scores indicate that respondents view the insurance company as a fair employer, essential for a positive work environment. The belief that compensation reflects employees' efforts (M=4.56, SD=0.44) suggests recognition and rewards, supporting Herzberg's Two-Factor Theory, which links equitable pay to job satisfaction. Fair compensation fosters employee engagement and

commitment. Additionally, the daily disbursement of wages ($M=4.55$, $SD=0.45$) demonstrates a commitment to timely payments, enhancing employee morale and financial stability. Regular payments reduce financial stress, allowing employees to focus on their work. The perception of substantial salaries ($M=4.72$, $SD=0.28$) indicates the company's investment in its workforce, crucial for attracting and retaining talent in competitive industries. Furthermore, the agreement that daily wages align with work completed ($M=4.50$, $SD=0.50$) reinforces the connection between performance and compensation, motivating employees to maintain productivity and quality. These findings are consistent with Afriyie, Twumasi and Darko (2020) research that highlights the importance of fair compensation in enhancing employee satisfaction and motivation.

A mean score of 3.51 ($SD=1.49$) reflects moderate agreement on the organization's commitment to salary transparency. Additionally, a high mean score of 3.94 ($SD=1.06$) for prompt salary disbursement underscores its role as a motivational factor, linking timely payment to financial stability and job satisfaction. Finally, a mean score of 4.05 ($SD=0.95$) indicates that competitive pay has reduced absenteeism, as adequately compensated employees are more engaged and present at work. Overall, these results suggest that the organization's focus on salary transparency, timely payments, and competitive remuneration aligns with theoretical frameworks and best practices in human resource management, enhancing employee well-being and organizational effectiveness. These findings align with Thapa (2023) research indicates that transparent salary policies foster trust and fairness, leading to higher morale and productivity.

Participants showed a neutral view on the timely payment of salaries by the insurance company, with a mean score of 3.23 indicating mixed perceptions. The standard

deviation of 1.77 reflects variability in responses, suggesting some felt positively or negatively, but overall sentiment remained neutral. This finding aligns with Kimani, Ngui and Arasa (2020) research indicating similar mixed perceptions among employees regarding salary reliability in the industry.

The study also found that the respondents agreed on all the statements that were used in explaining how salaries and wages influences employees' performance in the insurance companies in Nairobi City County, Kenya as evidenced by a mean score of 4.13, which suggests that they generally agree with the statements presented to them about the positive impact of compensation on performance. Furthermore, the standard deviation of 0.87 indicates that there is a relatively low level of variability in the responses, implying that most participants shared similar views on this matter. The finding agree with Candradewi and Manuati (2022), research observation that competitive salaries and wages serve as a motivating factor for employees, leading to increased productivity, job satisfaction, and overall performance.

4.3.2 Professional Allowances

The following are descriptive statistics obtained for each statement that were used in explaining how professional allowances influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 4.3.

Table 4.3: Professional Allowances

Statements	M	SD
This insurance company gives house allowances to its employees	3.96	1.04
The house allowances given have boosted employee's performance	4.29	0.71
This insurance company gives car allowances to its employees	4.58	1.48
The car allowance given has contributed to employee's efficiency	3.99	1.01
This insurance company gives commuter allowances to its employees	4.06	0.94
The commuter allowances given has boosted employee's motivation levels	3.85	1.15
This insurance company gives hardship allowances to its employees	4.61	0.39
The hardship allowances have reduced cases of employee turn over	4.13	0.87
Aggregate score	4.18	0.95

Source: Research Data (2024)

Table 4.3 shows that respondents strongly agree that the insurance company provides car allowances (M=4.58, SD=1.48) and hardship allowances (M=4.61, SD=0.39) to employees. These high mean scores indicate strong employee satisfaction with the financial support offered, although the higher standard deviation for the car allowance suggests some variability in individual perceptions. The strong agreement indicates that these allowances are valued components of the compensation package, positively impacting employee morale and loyalty. These findings align with Kidagisa and Mukanzi (2021) research emphasizing the importance of such allowances in enhancing employee satisfaction and retention, particularly in competitive industries like insurance.

Participants in the study agreed that the insurance company provides housing allowances, with a mean score of 3.96 and a standard deviation of 1.04, indicating strong consensus on the benefit's significance. These allowances positively impact employee performance, reflected in a mean score of 4.29 and a lower standard deviation of 0.71, suggesting

improved living conditions and productivity. The company also offers a car allowance, rated with a mean score of 3.99 (SD=1.01), indicating general agreement on its positive effects, though with some variability. This allowance is seen as a valuable resource that enhances daily efficiency. Commuter allowances received a mean score of 4.06 (SD=0.94), highlighting their importance for daily travel. Employees also rated their impact on motivation at 3.85 (SD=1.15), suggesting these allowances alleviate transportation costs and boost morale. Lastly, hardship allowances were noted for reducing turnover rates, with a mean score of 4.13 (SD=0.87). The finding aligns with Mudhofar (2021) research who observe that the insurance company's comprehensive approach to employee allowances encompassing housing, car, commuter, and hardship allowances plays a crucial role in creating a supportive work environment that ultimately benefits both employees and the organization as a whole.

The overall mean score of 4.18, accompanied by a standard deviation of 0.95, suggests that the respondents concurred with the statements utilized to elucidate the impact of professional allowances on employee performance within insurance companies in Nairobi City County, Kenya. This finding is consistent with previous research that highlights the positive correlation between financial incentives and employee motivation. The findings resonate with Omuya (2021) research which observes the positive role of adequate compensation and benefits in retaining talent and enhancing overall organizational performance.

4.3.3 Individual Incentives

The following are descriptive statistics obtained for each statement that were used in explaining how individual incentives influences employees’ performance in the insurance companies in Nairobi City County, Kenya presented in Table 4.4.

Table 4.4: Individual Incentives

Statements	M	SD
This insurance company give pay rise to its employees	4.09	0.91
Pay rise has reduced employee turnover levels	4.50	0.50
This insurance company gives bonuses to its employees	4.54	0.46
Bonuses given have contributed to improved employees’ performance	4.33	0.67
This insurance company gives vacation allowances to its employees	4.17	0.83
Vacation allowances have boosted employees’ motivation levels	4.55	0.45
This insurance company gives paid leaves to its employees	4.39	0.61
Paid leaves have contributed to reduced employee turnover levels	4.52	0.48
Aggregate score	4.39	0.61

Source: Research Data (2024)

Table 4.4 reveals strong agreement of respondents on the following statements; Participants indicated that salary increases are crucial for reducing turnover, with a mean score of 4.50 and a standard deviation of 0.50, emphasizing the role of financial compensation in job satisfaction. Bonuses were also highly rated, with a mean score of 4.54 and a standard deviation of 0.46, indicating they motivate loyalty and commitment. Vacation allowances scored a mean of 4.55 (SD = 0.45), highlighting their role in enhancing motivation and work-life balance, while paid leave also emerged as important, with a mean score of 4.52 (SD = 0.48), suggesting it provides security and support. The finding of these results align with Afriyie, Twumasi, & Darko, 2020) research which

established that organizations that prioritize competitive compensation packages and supportive policies are more likely to foster a stable and committed workforce.

The mean score of 4.09 (SD=0.91) indicates a strong agreement among participants regarding the insurance company's commitment to providing salary increases, suggesting that employees feel valued and recognized for their contributions. Furthermore, the positive impact of bonuses on employee performance is well-documented. The mean score of 4.33 (SD=0.67) reflects a consensus that bonuses not only serve as financial incentives but also foster a culture of excellence and achievement within the organization. The company's provision of vacation allowances, with a mean score of 4.17 (SD=0.83), underscores the importance of work-life balance in employee well-being. Lastly, the high mean score of 4.39 (SD=0.61) regarding paid leave reflects a strong agreement on the company's policies that prioritize employee welfare. Studies have shown that access to paid leave can significantly enhance employee morale and loyalty, as it allows individuals to manage personal and family responsibilities without the added stress of financial loss (Smith & Jones, 2020; Davis & Lee, 2022).

The relatively high aggregate mean score of 4.39 suggests that respondents generally agree on the effectiveness of individual incentives in driving performance, while the low aggregate standard deviation of 0.61 indicates that there is little variation in the responses, further reinforcing the notion of a shared understanding among the participants. This finding is consistent with Naidu and Satyanarayana (2020) research that found the positive correlation between incentive structures and employee motivation.

4.3.4 Fringe Benefits

The following are descriptive statistics obtained for each statement that were used in explaining how fringe benefits influences employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 4.5.

Table 4.5: Fringe Benefits

Statements	M	SD
This insurance company gives education support to its employees	3.68	1.32
Education support has contributed to efficiency at work	3.75	1.25
There are transport benefits to the employees of this insurance company	4.52	0.48
Transport allowances have contributed to improved employee's performance levels	4.00	1.00
There are health insurance benefits to the employees of this insurance company	4.58	0.42
Health insurance has contributed to improved employee's performance levels	3.78	1.22
There are retirement benefits plan to the employees of this insurance company	4.63	0.37
Retirement benefits have contributed reduced employee turnover rates	4.56	0.44
Aggregate score	4.19	0.81

Source: Research Data (2024)

Table 4.5 shows strong consensus among respondents regarding employee benefits at the insurance company, with high mean scores indicating satisfaction. Transport benefits received a mean score of 4.52 (SD = 0.48), highlighting their value and uniform appreciation among employees. Health insurance benefits scored even higher at 4.58 (SD = 0.42), reflecting their importance in the compensation package and shared sentiment among employees. Retirement benefits were rated highest at 4.63 (SD = 0.37), indicating their significance for job satisfaction and effective retirement planning. Additionally, retirement benefits positively impact employee retention, with a mean score of 4.56 (SD

= 0.44) suggesting they help reduce turnover rates. These findings align with Darma & Supriyanto, 2020) research that emphasizes the importance of comprehensive employee benefits in enhancing job satisfaction and retention.

The mean score of 3.68 (SD=1.32) indicates a strong agreement among participants regarding the value of educational support provided by the insurance company. Furthermore, the assertion that educational support has enhanced workplace efficiency, with a mean score of 3.75 (SD=1.25), aligns with studies that suggest that employees who receive training and development opportunities are more likely to perform at higher levels. This correlation highlights the significance of ongoing professional development as a key driver of organizational success. The positive impact of transportation allowances on employee performance levels, reflected in a mean score of 4.00 (SD=1.00), underscores the role of logistical support in facilitating employee engagement and productivity. Additionally, the contribution of health insurance to enhanced employee performance, with a mean score of 3.78 (SD=1.22), suggesting that comprehensive health benefits lead to lower absenteeism rates and higher morale among employees. The finding agree with Onuorah, Okeke and Ibekwe (2021) research that found that organizations that invest in educational support not only foster a culture of continuous learning but also empower their employees to develop new skills and competencies, which can lead to increased efficiency and innovation within the workplace.

The overall mean score of 4.19 indicates a high level of agreement among the respondents, suggesting that they collectively perceive fringe benefits as a significant factor contributing to their performance at work. Moreover, the standard deviation score

of 0.81 reflects a relatively low level of variability in the responses, which further reinforces the idea that there is a shared understanding and uniformity in the opinions of the respondents regarding this issue. Such a low standard deviation implies that most respondents' views were closely clustered around the mean, indicating a strong collective belief in the positive impact of fringe benefits. The finding agree with Kadir, AlHosani and Sehan (2023) research which found that when employees feel valued and supported through comprehensive fringe benefits, such as health insurance, retirement plans, and other perks, their motivation and productivity tend to increase.

4.3.5 Employee Performance

The following are descriptive statistics obtained for each statement that were used in explaining the employees' performance in the insurance companies in Nairobi City County, Kenya presented in Table 4.7.

Table 4.7: Employee Performance

Statements	M	SD
Low level of absenteeism is experienced in this insurance company	2.96	2.04
The low level of absenteeism has contributed to improved employee's performance levels	3.12	1.88
Employees of this insurance company accomplish their task efficiently	2.27	2.73
Efficiency at work has contributed to improved employee's performance levels	2.78	2.22
Low level of employees' turnover is experienced in this insurance company	3.04	1.96
The low level of employee's turnover has contributed to improved employee's performance levels	3.18	1.82
The employees of this insurance company are independent and proactive	3.25	1.75
The independency of the employees has contributed to improved employee's performance levels	3.03	1.97
Aggregate score	2.95	2.05

Source: Research Data (2024)

The respondents indicated neutral on the following statements; low level of absenteeism is experienced in this insurance company (M=2.96, SD=2.04), the low level of absenteeism has contributed to improved employee's performance levels (M=3.12, SD=1.88), employees of this insurance company accomplish their task efficiently (M=2.27, SD=2.73), efficiency at work has contributed to improved employee's performance levels (M=2.78, SD=2.22), low level of employees' turnover is experienced in this insurance company (M=3.04, SD=1.96), the low level of employee's turnover has contributed to improved employee's performance levels (M=3.18, SD=1.82), the employees of this insurance company are independent and proactive (M=3.25, SD=1.75) and the independency of the employees has contributed to improved employee's performance levels (M=3.03, SD=1.97). These findings highlight the need for further investigation into the factors influencing employee perceptions of absenteeism, task completion, and workplace efficiency. Understanding these dynamics could provide valuable insights for management and organizational development, ultimately leading to improved employee performance and satisfaction.

The respondents showed a neutral view on employee performance, with a mean score of 2.95 and a standard deviation of 2.05. This contrasts with Ezenwakwelu (2020) research in other urban areas, where employees often expressed strong opinions, typically with mean scores above 3.5. The low mean score suggests a lack of engagement or clarity regarding performance metrics, while the high standard deviation indicates varied employee sentiments. This divergence may stem from differences in management practices or organizational culture.

4.4 Diagnostic Test Results

The study carried out diagnostic test which included; normality, linearity, autocorrelation and multicollinearity. The results are presented as follows;

4.4.1 Normality Test

The normality of the data was confirmed by using the Shapiro-Wilk one sample test. The results are presented in Table 4.8.

Table 4.8: Normality Test

Variable	Shapiro	
	Statistic	Sig.
Salaries and wages	0.775	0.115
Professional allowances	0.752	0.230
Individual incentives	0.779	0.308
Fringe benefits	0.801	0.185
Employee performance	0.794	0.451

Source: Research Data (2024)

The data presented in Table 4.8 provides a comprehensive overview of the Shapiro-Wilk statistic values for various compensation practices, including salaries and wages, professional allowances, individual incentives, fringe benefits, and their relationship to employee performance. The Shapiro-Wilk statistic values for these components are as follows: 0.775 for salaries and wages, 0.752 for professional allowances, 0.779 for individual incentives, 0.801 for fringe benefits, and 0.794 for employee performance. In addition to the Shapiro-Wilk statistics, the corresponding significance values are also noteworthy. These values are 0.115 for salaries and wages, 0.230 for professional allowances, 0.308 for individual incentives, 0.815 for fringe benefits, and 0.451 for employee performance. The significance values indicate the likelihood that the observed

data deviates from a normal distribution. In this context, a higher significance value suggests that the data is more likely to be normally distributed.

4.4.2 Linearity Test

The research performed a linearity assessment utilizing correlation coefficients, as recommended by Field (2013), in order to uncover the magnitude and orientation of connections. The findings of the linearity evaluation can be found in Table 4.9.

Table 4.9: Linearity Test

		Employee performance
Salaries and wages	Pearson Correlation	0.803
	Sig. (2-tailed)	0.002
Professional allowances	Pearson Correlation	0.745
	Sig. (2-tailed)	0.003
Individualized incentives	Pearson Correlation	0.779
	Sig. (2-tailed)	0.004
Fringe benefits	Pearson Correlation	0.806
	Sig. (2-tailed)	0.001

Source: Research Data (2024)

The linearity test results in Table 4.9 indicate a strong relationship between compensation types and employee performance in Nairobi's insurance companies. The Pearson correlation coefficients are as follows: salaries and wages (0.803), professional allowances (0.745), individual incentives (0.779), and fringe benefits (0.806). These values suggest that higher compensation correlates with improved employee performance. Significance values for these correlations are all below 0.05, reinforcing their statistical significance: salaries and wages (0.002), professional allowances (0.003), individual incentives (0.004), and fringe benefits (0.001). Overall, the findings highlight the positive impact of various compensation forms on employee performance, emphasizing the need for effective compensation strategies in this sector.

4.4.3 Autocorrelation Test

The research employed the Durbin-Watson test to determine if the data exhibit autocorrelation or if they are correlated over time. The results are displayed in Table 4.10.

Table 4.10: Autocorrelation Test

Variable	Durbin Watson
Salaries and wages	3.150
Professional allowances	2.064
Individual incentives	2.964
Fringe benefits	2.228
Employee performance	3.006

Source: Research Data (2024)

The results displayed in Table 4.10 shows that the Durbin Watson values varied between 2.064 and 3.150. Garson (2012) notes that the critical value for the autocorrelation test in regression analysis with the Durbin-Watson test usually falls within the range of 1.5 to 2.5. A value less than 1.5 shows positive autocorrelation, whereas a value greater than 2.5 indicates negative autocorrelation. Values ranging from 1.5 to 2.5 indicate that there is not a notable autocorrelation within the dataset. Thus, it was determined that there is no autocorrelation in the residuals of the model, allowing for the use of inferential statistics on the study data.

4.4.4 Multicollinearity Test

Multicollinearity occurs when independent variables are highly correlated, which can inflate the variance of coefficient estimates and make them unstable (Escanciano, 2018). The study used Variance Inflation Factor (VIF), to help detect multicollinearity, guiding analysts in model refinement. The results are presented in Table 4.11.

Table 4.11: Multicollinearity Test

Variables	Collinearity Statistics	
	VIF	Tolerance
Salaries and wages	0.711	2.278
Professional allowances	0.700	3.316
Individual incentives	0.785	2.264
Fringe benefits	0.806	2.007

Source: Research Data (2024)

The findings in Table 4.11 show that the research variables Tolerance and VIFs have values greater than 0.10 and lower than 10, respectively. These results suggest that the study variables are unbiased and do not have any multicollinearity issues that could influence the researcher's decision. A VIF value higher than 1 shows the existence of multicollinearity, with increased values indicating greater multicollinearity. Wooldridge (2013) mentions that when VIFs are over 10 or tolerance limits are below 0.1, specific criteria are satisfied

4.5 Regression Analysis Results

The results of regression analysis that sought to establish the extent which independent variables influenced the dependent are presented as follows;

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.899	0.808	0.618	0.0021

Source: Research Data (2024)

Table 4.12 shows a strong positive correlation ($R = 0.899$) between salaries, wages, allowances, incentives, and benefits and employee performance in Nairobi's insurance

companies. The R square value of 0.808 indicates that about 80.8% of the variance in employee performance is explained by these factors, highlighting their relevance in predicting performance outcomes. The adjusted R square value of 0.618 (61.8%) which accounts for the number of predictors, still reflects significant explanatory power. Therefore, other variables not studied account for 38.2% of employee performance. Additionally, a low standard error of 0.0021 suggests that the model's predictions are reliable and closely aligned with actual performance values. Overall, these findings emphasize the importance of compensation in enhancing employee performance in the insurance sector.

Table 4.13: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	305.415	4	76.354	98.0238	0.003
	Residual	112.945	145	0.7789		
	Total	418.36	149			

Source: Research Data (2024)

The ANOVA Table results reveal key factors affecting employee performance in Nairobi's insurance companies. The mean square value of 76.354 indicates the average variation linked to factors like salaries, allowances, incentives, and benefits, highlighting their contribution to performance. The F value of 98.0238 suggests a strong relationship between these factors and employee performance, as it reflects the variance explained by the model. Additionally, the significance level of 0.003, well below the 0.05 threshold, confirms the statistical significance of the results, indicating a less than 0.3% chance that the observed effects are random.

Table 4.14: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.593	0.315		1.883	0.003
	Salaries and wages	0.785	0.229	0.0564	3.428	0.002
	Professional allowances	0.771	0.214	0.0142	3.603	0.003
	Individual incentives	0.784	0.304	0.0226	2.577	0.001
	Fringe benefits	0.792	0.211	0.0119	3.754	0.001

Source: Research Data (2024)

The findings in Table 4.14 revealed that holding independent variables (salaries and wages, professional allowances, individual incentives and fringe benefits) constant, the employees' performance in the insurance companies in Nairobi City County, Kenya would be 0.593. The regression coefficients indicate that when salaries and wages, professional allowances, individual incentives and fringe benefits are improved would cause an improvement of the employees' performance in the insurance companies in Nairobi City County, Kenya by 0.785, 0.785, 0.771, 0.784 and 0.792 respectively.

Therefore, the regression analysis model equation presented as follows;

$\gamma = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ resulted to the following expression;

Employee performance = 0.593 + 0.785 (salaries and wages) + 0.771 (professional allowances) + 0.784 (individual incentives) + 0.792 (fringe benefits).

The study reveals a strong link between salaries and employee performance in Nairobi's insurance sector, with a beta value of 0.0564 indicating a positive correlation. The significance value of 0.002, below the 0.05 threshold, confirms the relationship is statistically significant, suggesting that higher salaries lead to better performance. These findings imply that insurance organizations should prioritize competitive salaries to

enhance employee motivation and productivity. The finding agree with Kimani, Ngui and Arasa (2020) who researched compensation and employee performance at the Mombasa Cement Limited and found a positive significant relationship between the two variables.

The study reveals a positive correlation between professional allowances and employee performance in Nairobi's insurance companies, with a beta value of 0.0142 and a significance value of 0.003, indicating statistical significance. This suggests that increasing professional allowances could enhance employee motivation and productivity, benefiting both employee satisfaction and overall organizational performance. The finding agree with Mudhofar (2021) who researched on compensation practices and employee performance in Lumanjag city in Indonesia and established that compensation practices had a positive significant influence on employee performance.

The study reveals that individual incentives significantly influence employee performance in Nairobi's insurance firms, with a beta value of 0.0226 indicating a positive relationship. This suggests that a unit increase in incentives leads to a 0.0226 unit increase in performance. The significance value of 0.001 confirms that this relationship is statistically reliable, highlighting the importance of incentives in motivating employees. The finding is consistent with Nzyoka, Muli and Obere (2020) who researched on compensation practices and employees' performance and revealed that compensation practices significantly affected the employees' performance.

A beta value of 0.0119 indicates a positive relationship, suggesting that increased fringe benefits lead to improved employee performance. The significance value of 0.001 confirms that this relationship is statistically significant, emphasizing the need for organizations to prioritize comprehensive fringe benefit programs. The finding is in line

with Kadir, AlHosani and Sehan (2023) who researched on compensation and employee performance. The study found that fringe benefits had a positive significant effect on employee performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary of the study, conclusions, recommendations, and recommendation for further research.

5.2 Summary to the Study

The general objective of the study was to investigate the effect of compensation practices on employees' performance in the insurance companies in Nairobi City County, Kenya. The specific objectives of the study were to investigate effect of salaries and wages, professional allowances, individual incentives and fringe benefits on employees' performance in the insurance companies in Nairobi City County, Kenya. Data was collected from respondents using a questionnaire. Analysis of quantitative data was done using descriptive analysis and inferential statistics. The following is the summary of the findings;

The study sought to determine the effect of salaries and wages on employees' performance in the insurance companies in Nairobi City County, Kenya. The study revealed that salaries and wages had a positive significant effect on employees' performance. The insurance company pay salaries commensurate to the employees' work, daily wages are paid every day to the concerned workers, the company pays heft salaries and wages, the day wages paid are proportionate to the work performed.

The study sought to determine the effect of professional allowances on employees' performance in the insurance companies in Nairobi City County, Kenya. The study found that professional allowances had a positive significant effect on employees' performance. The house allowances given have boosted employee's performance, the insurance company gives car allowances to its employees, the insurance company gives commuter allowances to its employees, the insurance company gives hardship allowances to its employees and the hardship allowances have reduced cases of employee turnover.

The study sought to investigate the effect of individual incentives on employees' performance in the insurance companies in Nairobi City County, Kenya. The individual incentives were found to have a positive significant effect on employee performance. Pay rise has reduced employee turnover levels, the insurance company gives bonuses to its employees, vacation allowances have boosted employees' motivation levels, the insurance company gives paid leaves to its employees and paid leaves have contributed to reduced employee turnover levels.

The study sought to determine the effect of fringe benefits on employees' performance in the insurance companies in Nairobi City County, Kenya. The study established that fringe benefits had a positive significant effect on employees' performance in the insurance companies in Nairobi City County, Kenya. There are transport benefits to the employees of this insurance company, there are health insurance benefits to the employees of this insurance company, there are retirement benefits plan to the employees of this insurance company, retirement benefits have contributed reduced employee turnover rates and transport allowances have contributed to improved employee's performance levels.

5.3 Conclusions of the Study

The study concludes that offering competitive salaries helps attract top talent in a highly competitive industry. Skilled professionals are more likely to join and stay with firms that recognize their worth. A well-structured remuneration package can reduce employee turnover, saving costs associated with recruitment and training new employees. Implementing performance-based bonuses and commissions can motivate employees to exceed their targets, leading to increased productivity and better service delivery. Linking compensation to organizational goals ensures that employees are aligned with the company's objectives, driving collective performance towards achieving strategic targets.

The study concludes that professional allowances alleviate the financial burden of job-related expenses, leading to higher job satisfaction. Employees who feel supported are more likely to be engaged and motivated in their roles. Competitive professional allowances attract top talent to the organization, as potential employees often consider these benefits when evaluating job offers. Professional allowances empower employees to take charge of their professional development and career paths, leading to greater engagement and ownership of their work. Allowances for team-building activities or collaborative projects can foster a sense of community and teamwork, enhancing overall performance.

The study concludes that personalized incentives resonate more with employees, as they reflect individual preferences and values leading to higher levels of motivation and engagement, as employees feel their unique contributions are recognized and valued. Personalized incentives acknowledge the specific strengths and achievements of employees, which can enhance job satisfaction. Employees who feel appreciated are

more likely to remain committed to their roles. Employees who receive personalized incentives are more likely to feel a sense of loyalty to the organization, reducing turnover rates. This is particularly important in the insurance industry, where retaining experienced staff can be crucial for maintaining client relationships and institutional knowledge.

The study concludes that fringe benefits such as health insurance and wellness programs contribute to employees' physical and mental well-being. When employees feel cared for, their job satisfaction increases, leading to higher morale and motivation. Fringe benefits foster a sense of belonging and loyalty among employees. When employees feel that their employer invests in their well-being, they are more likely to engage with the company's mission and values. Benefits that promote team activities, such as company retreats or wellness challenges, can enhance team cohesion and collaboration, leading to improved performance in group tasks and projects.

5.4 Recommendations of the Study

The study recommends that the companies should conduct regular market surveys to ensure that salary offerings are competitive with industry standards. This helps attract and retain top talent. Compare salaries with similar roles in other insurance companies to identify gaps and adjust compensation accordingly. Implement performance-based bonuses that reward employees for meeting or exceeding specific targets, such as sales goals or customer satisfaction metrics. Schedule annual or bi-annual salary reviews to assess employee performance and adjust salaries based on merit, contributions, and market conditions. Maintain transparency about how salaries are determined, including

the criteria for raises and bonuses. This builds trust and encourages employees to strive for performance improvements.

The study recommends that the companies should implement a structured bonus system tied to individual and team performance metrics. This could include sales targets, customer satisfaction scores, or claims processing efficiency. Invest in continuous education and professional development programs that enhance employees' skills and knowledge, making them more effective in their roles. Regularly recognize outstanding performance through awards or public acknowledgment, which can boost morale and motivation. Allow employees to work from home or have flexible hours, which can lead to increased job satisfaction and productivity.

The study recommends that the companies should develop programs that reward employees for achieving specific performance metrics, such as sales targets or customer satisfaction scores. Offer workshops, seminars, and courses that help employees develop new skills relevant to their roles. Implement options for remote work, flexible hours, or compressed workweeks to help employees balance their personal and professional lives. Allow employees to make decisions related to their work, fostering a sense of ownership and accountability.

The study recommends that the companies should offer a strong health plans that cover a wide range of medical services, including mental health support. Offer financial support for employees to pursue relevant certifications or attend industry conferences. Offer competitive matching contributions to retirement plans to encourage long-term financial planning. Implement performance-based bonuses or profit-sharing plans that reward

employees for their contributions to the company's success. Invest in ergonomic furniture and equipment to enhance comfort and reduce workplace injuries. Offer generous maternity and paternity leave to support employees during significant life events.

5.5 Recommendations for Further Study

The study suggests that further research should be done that focus on other compensation practices that have not been studied so as to address that a conceptual gap of 38.2% that was found in the regression results to account for other variables not studied. The study recommends that similar study could be done that focus on other organization apart from insurance companies in order to address a contextual gap.

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APPENDICES

Appendix i: Introduction Letter

My name is Masoud Mohamed Ali, pursuing Masters in Business Administration (Human resource option) at Kenyatta University. I 'am undertaking this research as a prerequisite for my degree award. The title of my research study is "Compensation Practices on Employees Performance in the Insurance Companies in Nairobi City County, Kenya". Kindly help me in gathering data, all information provided will be managed discretely.

Thank you for your support

Yours faithful

A handwritten signature in black ink, appearing to read 'MMAli', with a horizontal line underneath.

Masoud Mohamed Ali

D53/OL/MSA/21710/2020

Appendix ii: Questionnaire

Kindly help me fill in by ticking appropriately in the areas provided in the questionnaire from section A to E.

Section A: Salaries and Wages

1. To what extent are you in agreement/disagreement with the ensuing statements?

Use a (√)

S/n	Salaries and Wages	1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	This insurance company pay salaries commensurate to the employees' work					
2	The company has a clear policy on sallaries					
3	Daily wages are paid every day to the concerned workers					
4	The day wages paid are proportionate to the work performed					
5	This insurance company pays salaries and wages on time					
6	Timely payment of salaries					

	and wages act as motivation to the employees					
7	This company pays hefty salaries and wages					
8	The salaries and wages paid have reduced cases of absenteeism					

Section B: Professional Allowance

1. To what extent are you in agreement/disagreement with the ensuing statements?

Use a (√)

S/n	Professional Allowances	1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	This insurance company gives house allowances to its employees					
2	The house allowances given have boosted employee's performance					
3	This insurance company gives car allowances to its					

	employees					
4	The car allowance given has contributed to employee's efficiency					
5	This insurance company gives commuter allowances to its employees					
6	The commuter allowances given has boosted employee's motivation levels					
7	This insurance company gives hardship allowances to its employees					
8	The hardship allowances have reduced cases of employee turn over					

Section C: Individual Incentives

1. To what extent are you in agreement/disagreement with the ensuing statements?

Use a (√)

S/n	Individual Incentives	1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	This insurance company give pay rise to its employees					
2	Pay rise has reduced employee turnover levels					
3	This insurance company gives bonuses to its employees					
4	Bonuses given have contributed to improved employees' performance					
5	This insurance company gives vacation allowances to its employees					
6	Vacation allowances have boosted employees' motivation levels					
7	This insurance company gives paid leaves to its employees					
8	Paid leaves have contributed to reduced employee turn over levels					

Section D: Fringe Benefits

1. To what extent are you in agreement/disagreement with the ensuing statements?

Use a (√)

S/n	Fringe Benefits	1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	This insurance company gives education support to its employees					
2	Education support has contributed to efficiency at work					
3	There are transport benefits to the employees of this insurance company					
4	Transport allowances have contributed to improved employee's performance levels					
5	There are health insurance benefits to the employees of this insurance company					
6	Health insurance has contributed to improved employee's performance levels					
7	There are retirement benefits plan to the employees of this insurance company					
8	Retirement benefits have contributed reduced employee turn over rates					

Section E: Employees' Performance

1. To what extent are you in agreement/disagreement with the ensuing statements?

Use a (√)


S/n	Employees' Performance	1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Low level of absenteeism is experienced in this insurance company					
2	The low level of absenteeism has contributed to improved employee's performance levels					
3	Employees of this insurance company accomplish their task efficiently					
4	Efficiency at work has contributed to improved employee's performance levels					
5	Low level of employees' turnover is experienced in this insurance company					
6	The low level of employee's turnover has contributed to improved employee's performance levels					
7	The employees of this insurance company are independent and proactive					
8	The independency of the employees has contributed to improved employee's performance levels					


Appendix iii: List of Selected Insurance Companies in Nairobi City County, Kenya

S/N	Names of Insurance Companies
1	AAR Insurance Limited
2	AIG Kenya Insurance Limited
3	APA Insurance Limited
4	Britam General Insurance Company
5	CIC General Insurance
6	Direct Line Assurance
7	Fidelity Shield Insurance Company
8	ICEA Lion General Insurance
9	Jubilee Insurance Limited
10	Kenya Orient Insurance
11	Liberty Life Assurance Kenya
12	Madison General Insurance
13	Occidental Insurance Company
14	Resolution Insurance Company
15	Sanlam General Insurance
16	Takaful Insurance of Africa
17	UAP Insurance Company
18	Xplico Insurance

IRA (2022)


Appendix iv: Research Permit


REPUBLIC OF KENYA


NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION.

Ref No: **112476** Date of Issue: **13/December/2024**


RESEARCH LICENSE




This is to Certify that Mr. Masoud Mohamed Ali of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: COMPENSATION PRACTICES AND EMPLOYEES' PERFORMANCE IN THE INSURANCE COMPANIES IN NAIROBI CITY COUNTY, KENYA for the period ending : 13/December/2025.

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