

Research Article

THE IMPACT OF REMUNERATION POLICY ON EMPLOYEE'S PERFORMANCE: EVIDENCE FROM DASHEN BANK IN ETHIOPIA

¹Samuel Eshetu and ²*Hamed M. S. Ahmed

¹Research Scholar, Wollo University, Ethiopia

²Department of Management, College of Business and Economics, Werabe University, Ethiopia.

Received 16th February 2022; Accepted 17th March 2022; Published online 30th April 2022

ABSTRACT

The Ethiopian financial sector is in agony of formulating a proper remuneration plan which keeps balance between internal equity and external competitiveness since companies that compensate their workers effectively are likely to achieve maximum productivity. The study examines the impact of remuneration policy on employees' performance with particular reference to Dashen bank Dessie town branch offices. One hundred eight employees of Dashen bank were selected through census sampling technique. The sample handed likert scale questionnaire to gather data on the bank's remuneration policy and performance. From the distributed 108 questionnaire 94 of them are filled and returned that gave 87% of response rate. The dependent variable was employees' performance while the independent variable was remuneration. The study adopted descriptive and explanatory research design to attain the objectives. Data analysis was done using descriptive statistics and simple linear regression model using statistical package for social science (SPSS Version 20) to predict the findings. The findings suggest that there is a strong and positive relationship between remuneration and employees' performance. Further the findings suggest that the bank's remuneration policy do not based on performance rather it is rigid to monthly salary and lack ensuring equity among employees for some benefit packages like mortgage besides the policy do not evaluated periodically for its effectiveness. Therefore the study concludes and recommends to the financial industry to make sure implementing remuneration policy that is competitive, performance based, and ensures equity among employees'.

Keywords: Remuneration, Employees' Performance, Motivation, Policy.

BACKGROUND OF THE STUDY

As Aswathappa (2002), pointed out for every human beings action there is a natural motive behind it. Any successes humans achieve have some reinforcement form its back. Therefore, we can conclude that everyone works in an organization for one basic reason that is to earn money for satisfying his or her family's basic needs and wants. Though there are ways that an individual can get enough money for ethical, legal and social reasons most people prefer to earn money as reward for what they contribute. According to Maslow's (1943) hierarchy of needs people have five types of needs those are physiological need for food and water. Security needs for secure income knowing one has a job, Social needs of friendship and camaraderie. Self-esteem needs and self-actualization needs of becoming a person you believe you can become. As per Maslow's prepotency process principle it is challenging to neither to motivate or expect a good performance from someone who are struggling to fulfill his or her basic needs so that every organization should consider its employees motivator in order to expect a good performance from them. Muturi, Elija, and Wilfred (2014) claim that the right compensation plan is different for every organization. For the compensation of an organization to succeed, the goals of the organization must be aligned with the goals of the employees whom the organization wishes to attract. The right compensation policy not only impact employees decision to stay in the organization but also to give all they have and accept additional responsibility (Bratton & Jeffrey, 1995). Therefore it is vital to design a proper remuneration policy and strategies that can increase employees job satisfaction and job performance however most organizations neglect what a difference it can bring to the success of their organization. Dashen

Bank is one of the private banks in Ethiopia which strive to achieve its objective of becoming one of largest Bank in Africa like the mountain of Dashen. The contribution of this research is equally important in this drive and their marginalization could close the doors of development (Ahmed and Ahmed, 2021) As a result the researcher wants to assess the impact of its existing remuneration policy on the employees' performance and its role to achieve its vision and expanding its service and hence opening the path to increase its international involvement. For this there may be other factors than these that have been studied (Ahmed et al., 2018). The study proposes to provide a new impact of theoretical framework (Ahmed et al., 2022).

STATEMENT OF THE PROBLEM

Poels (1997) defines remuneration as the compensation an employee receives as a return for his/her contribution to the organization. Remuneration occupies an important place in the life of an employee, standard of living, status in the society, motivation, loyalty and productivity depends up on the remuneration he or she receives. As per Dessler (2013), firm's remuneration policy should consider what its competitors are paying as well as its capacity to pay in order to control its expenses at the acceptable level at the same time it should motivate and channel employees behavior toward those required achieving a company's goals. This all can be done by employees but only if they are satisfied in their organizations remuneration policy that will result in social and economic satisfaction. So, they will have initiative to materialize the organizations' vision and facilitate Dashen banks progress. Now a day the major problem the financial sector in Ethiopia face with regard to its human resource management strategy is how to increase the remuneration rate by maintaining its expense at the acceptable level and the organizations advancement in services being provided to the customers. Even if there is no

*Corresponding Author: Hamed M. S. Ahmed,

²Department of Management, College of Business and Economics, Werabe University, Ethiopia.

significant difference in perception of the compensation policy of their organization amongst gender and job category but there is slight difference of perception among the work experience and educational qualification of employees (Ahmed, 2010; Ahmed and Tessma, 2020). Maina (2009) pointed out that remuneration policy provides the basic explanation of the remuneration component, how it is calculated, who is eligible for the usage and the approval procedure. She also suggests that a good remuneration policy includes a balance between internal equity and external competitiveness. However, it was noted that that study was limited to the impact of remuneration on employee performance of banks in South Africa. Moragawa (2013) as cited by Jemima (2017) studied determinants of compensation system among commercial banks in Kenya and established that compensation and benefits are the most critical factors in attracting and retaining high quality employees. The investigator should examine the content of the variables that have high loadings from each factor to see if they fit together conceptually and can be named (Ahmed *et al.*, 2018) According to the researcher's knowledge research on remuneration policy have not been addressed comprehensively in Ethiopia financial sector therefore, this study tries to examine the employee's attitude of the pay policies of their organizations and its impact on their performance with specific reference to Dashen bank dessie branch offices.

OBJECTIVE OF THE STUDY

The main objective of this study was to assess the impact of organization's remuneration policy on employee's performance with particular reference to Dashen Bank Dessie town branch offices.

SIGNIFICANCE OF THE STUDY

It is hoped that the result of this study have a great importance in various aspects. Firstly the study show the impact of a good remuneration policy has on workers psychology and performance. Secondly it gives clear understanding for the organizations about the benefits of formulating an ideal remuneration plan in addition it build clear understanding about types of remuneration and compensation. Furthermore it is hoped that it provide a highlight for the managers or any concerned party who wants to make further research on the subject.

REVIEW OF RELATED LITERATURES

Definition and Purpose Remuneration

Remuneration is compensation employers provide for the knowledge skills and abilities of their employees and it refers to the pay and benefits the organization gives employees in exchange for doing their job (Levina, 2014). As the consumers have more choices for their financial needs than ever before (Buba *et al.*, 2018) Jemima (2017) suggest that the remuneration policy is the basic document, which drives the detail of the remuneration practices in the organization. As the remuneration strategy sets the high level compensation goals of the organization, the remuneration policy describes the details of the individual remuneration components, their behavior and their role in the compensation scheme of the organization (Sarin, 2009). The remuneration policy describes the details of the compensation components in the organization, how they are used and the conditions for the employees as the remuneration component can be applied in their specific situation (Hassan, 2013). Finance, market linkage, business training, working area, incentives and tax advantages are extremely weak (Ahmed and Wube, 2019). The present study have clearly shown that majority of employees have

strong wish to have effective factors of performance appraisal system. The study indicates that, online technology used in performance appraisal system (Ahmed, 2016).

Wages and salary

Wages represent hourly rates of pay and salary refers to the monthly rate of pay, irrespective of the number of hours put in by an employee. The findings of the study conducted by Thomran and Ahmed (2020) show Lack of experts, absence of training providers, moreover the absences of the educational institutions are additional obstacles facing the profession. Wages and salaries are subject to annual increments they differ from employee to employee and depend up on the nature of the job, seniority and merit. Being salaried typically has carried higher status for employees than being paid wages. Some organizations have switched to an all salaried approach with their manufacturing and clerical employees in order to create a greater sense of loyalty and organizational commitment (Mathis & Jackson, 1997).

Incentives

Also called payments by results' incentives are paid in addition to wages and salaries. Incentives depend upon productivity, sales, profit or cost reduction efforts incentives are compensation that rewards an employee for performance beyond normal expectations (Mathis and Jackson, 1997).Based on these incentives are classified in to three those are:

- Individual incentive schemes
- Group incentives
- Organizational incentives

Benefits

A benefit is a form of indirect compensation. Unlike employers in many other countries developed countries employers are require to provide benefits, most employees receive benefits as well as part of their total compensation package. Typical benefits include, health insurance, pensions, paid time off for illness, holidays and vacations (Wright and Noe, 1996).

Reasons for offering Benefits

- **Strategic Reasons**

According to Wright and Noe (1996) benefits attempt to protect employees and their dependents from financial risk associated with illness, disability, unemployment and old age. They stated that from managements perspective benefits are believed to contribute to several strategic goals that are

- **Market Competition**

According to Dessler (2013),mostly firms simply price their jobs based on what other employers are paying which means they use a market base approach. In market competitive pay plana firms competitive pay reflects both the jobs value in the company as well as what other employers are paying for similar jobs in the market place. Employers which have an excellent benefits plan like child care, flexible benefits and profit sharing are viewed positively by certain segments of the potential pool of employees. Employers that offer these benefits may be more attractive if base pay is similar with competing firms (Mathis and Jackson, 1997).

Perquisites

Perquisites are allowed to middle and higher level managers and include company car, club membership, paid holidays, furnished house, sock option schemes and the like. Most of the time perquisites are offered to retain competent managers (Aswathappa, 2002).

Non-monetary Benefits

These include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working condition, job sharing and flexitime.

Pay Policies

What is at stake with designing a pay structure in a firm, especially a financial firm? It is usually assumed that at the heart of the matter lies a conflict of interests. Individual interests of bank insiders differ from individual interests of other members of the society bank shareholders, debt holders, and taxpayers. A pay structure in the financial sector is expected to mitigate these differences (Levina,2014). The researchers conclude that educational level has a significant association (Ahmed *et al.*, 2017). As per Levina (2014) in her study of remuneration in banking, state that organization must develop policies as general guidelines to govern pay system. Uniform policies are needed for coordination, consistency and fairness in compensating employees.

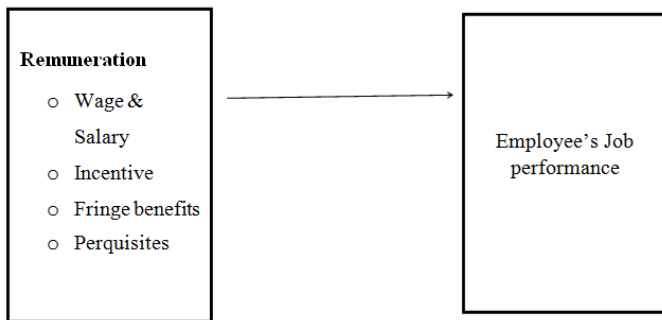
Devising remuneration plan

Any remuneration plan must be understandable, workable and acceptable. The remuneration scheme must have two components a base rate and scope for increasing the base rate (Poels, 1997).

Conceptual frame work of the study

Figure 1, Conceptual framework

Independent Variable Dependent Variable



Source: The researcher (2020).

RESEARCH METHODOLOGY

Research Design

This study is undertaken based on descriptive and explanatory study research design. According to Fisher (2010), a research design involved arrangement of conditions for collection and analysis of data in a manner that was aimed to combine relevance to the research purpose.

Population and sampling

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate, Sekaran (2003). The target population of the study was employees of Dashen bank

who work under branches which locate at Dessie town where the total population size was one hundred eight (108). When using census sampling technique the size of the sample is equal to the size of the study population or sampling frame so that the sample size of this study was 108 employees of Dashen bank who works under branches located at Dessie town.

Sources of Data Collection

Data was collected using primary source and Secondary Data method since primary data is the first hand information obtained from respondents through use of questionnaires. The Secondary Data also be used from manuals of the bank, books, and other documents. Data can be obtained from primary or secondary sources. Primary data refer to information obtained first hand by the researcher on the variables of interest for the specific purpose of the study (Sekaran, 2003). Secondary data collected from books, journals, magazine, websites and others relevant sources (Argaw and Ahmed, 2017).

RESULTS AND DISCUSSION

Surveying the current remuneration policy of the bank

Surveying the current remuneration policy of the bank was one of the objectives of this research. To do this, nine statements were used about the nature and characteristics of the bank's remuneration policy provided for the respondents to indicate their level of agreement.

Table 1: Statements on current remuneration of the bank

Statements	1	2	3	4	5	Total	Mean
.The current salary scale of the bank is satisfying employees	14.9	27.7	34.0	19.1	4.3	100	2.7
The bank periodically evaluates its remuneration policy effectiveness.	0	26.6	39.4	30.9	3.2	100	3.11
The banks current pay system has a positive effect on employee productivity	19.1	34.0	27.7	11.7	7.4	100	2.54
The bank remuneration policy is being adjusted to go with cost of living	11.7	41.5	6.4	36.2	4.3	100	2.8
The banks benefits package is satisfactory compared to other banks	7.4	35.1	33	17.0	7.4	100	2.82
The bank's remuneration policy keeps a balance between employee's contribution and cost (expense) of the bank.	4.3	23.4	55.3	16.0	1.1	100	2.86
The bank's benefit package protects employees from financial risk associated with illness and disability	23.4	33	16	22.3	5.3	100	2.53
The existing benefit package of the bank motivates me well	7.4	31.9	35.1	19.1	6.4	100	2.85
The bank gives sufficient health, Mortgagee and other insurance benefits for workers	41.5	9.5	26.6	22.3	0	100	2.3

Source: Primary data (2020)

When asked to give their level of agreement with the statement if they are satisfied with the current salary scale of bank, most of the respondents 42.6% strongly agree/agree with the statement followed by 34.0% of the respondents who said they have no opinion about it, the rest 23.4% says they are dissatisfied with the current salary scale of the bank. The resulting mean was 2.7 which indicate the fact that the majority of the respondents were more or less satisfied with the salary scale of the bank. When asked their level of agreement with the statement of if the bank periodically evaluates the effectiveness its remuneration policy as we can see from the table above that 0% of sample strongly agree , 26.6 % agree, 39.4% have no opinion, 30.9% disagree and 3.2% strongly disagree with the statement. The resulting mean was 3.11 these findings point to the fact that the either remuneration policy of the bank do not evaluated periodically or the employees not have much knowledge about it. To determine whether employee's productivity is positively affected by the current pay system respondents were asked to give their level of agreement. From the findings, a mean of 2.54 was recorded with most of respondents 53.1% strongly agree /agree with the statement followed by 27.7% say they have no opinion about it and another 19.1% disagree/strongly disagree with statement. This means that the current pay scale has a positive impact on employees. Regarding the statement if banks remuneration policy is being adjusted to go with cost of living half of the respondents 53.2% strongly agree/agree, 40.5% in reverse strongly disagree/disagree with the statement and the remaining 6.4% have no opinion with the mean rating of 2.8 which is between agree and have no opinion. Similarly, the respondents rate the statement 'the banks benefit package is satisfactory compared to other banks'. 45.5% of them strongly agree/agree with the statement, 33% have no opinion and 24.4% strongly disagree/disagree. The above table also indicates that 55.3% of respondents have no opinion with statement 'the remuneration policy keeps a balance between employee's contribution and expense of the bank'. 27.7% of them strongly agree/agree with the statement the remaining 17.1% strongly disagree/disagree with the statement. The mean rate was 2.86 which are between agreeing and no opinion. In response to the statement 'the banks benefit package protects employees from financial risk associated with illness and disability.' 53.4% strongly agree/agree, whereas 27.9% and the remaining 16% respondents decline from expressing their level of agreement. On the other hand, 39.3% strongly agree/agree with the statement 'The existing benefit package of the bank motivates me well' 25.5% argue they strongly disagree/disagree and 35.1% have no opinion. Moreover respondents rate the statement the bank gives sufficient health, Mortgagee and other insurance benefits' at the mean of 2.3 which is close to agree. The percentiles of respondents who strongly agree/agree were 51% and 26.6%refused to disclose their opinion and the rest 22.3% disagree with the statement.

Remuneration impact on employee's performance

Examining the current remuneration policy of the bank was one of the objectives of this research. To do this, ten statements that are related to the performance of employees and the bank's remuneration policy were provided for the respondents to indicate their level of agreement.

Table 2: Statements on impact of remuneration on employee's performance

Statements	1	2	3	4	5	Total	Mean
The current remuneration policy is motivating and provide incentive for better performance	3.2	28.7	34.0	21.3	12.8	100	3.12

There exists a system in the bank's remuneration policy of compensating employees if they achieve their targets	7.4	24.5	44.7	17.0	6.4	100	2.9
Dashen bank attempts to conduct performance appraisal the best possible way	10.6	28.7	36.2	18.1	6.4	100	2.81
The performance appraisal is helpful to improve employees performance	18.1	29.8	43.6	8.5	0	100	2.43
I get the feeling to work hard due to the payment am currently receiving	9.6	45.7	34.0	10.6	0	100	2.46
There is a need to review and rationalize the pay structure to improve employee efficiency	16	66.0	13.8	4.3	0	100	2.06
The current compensation and benefits management is capable of attracting and retaining competent employees	14.9	25.5	26.6	25.5	7.4	100	2.85
The banks payment system is based on performance	11.7	14.9	8.5	42.6	22.3	100	3.49
I think my job performance affected by the remuneration policy of the bank.	10.6	39.4	33	17	0	100	2.56
The existing benefit package of the bank motivates me well	7.4	31.9	35.1	19.1	6.4	100	2.85

Source: Primary data (2020)

Table 2 shows that from the total population of 94 respondents,34.1% of them either disagree/strongly disagrees whereas the proportional amount of 34% showed no opinion, and 31.9% strongly agree/agree with the statement that 'the current remuneration policy is motivating and provide incentive for better performance'. The mean rating score of the statement was 3.12 which are close to no opinion. Similarly, majority of the respondents 44.7% decline from expressing their level of agreement, 31.9% of them strongly agree/agree and the rest 23.4% of the respondents disagree/strongly disagree with the statement 'There exists a system in the bank's remuneration policy of compensating employees if they achieve their targets'. With respect to the statement 'Dashen bank attempts to conduct performance appraisal the best possible way' 39.3% of the employees agree/strongly agree whereas 36.2% have no opinion on the statement, and 24.5% disagree or strongly disagree. The respondents' rate this statement at mean of 2.81 found between agree and have no opinion. On the other hand, 8.5% employees do not believe that the performance appraisal is helpful to improve their performance and 43.6% have no opinion, 47.9% agree/strongly agree. Moreover, 55.3% of the respondents strongly agree/agree with statement that 'I get the feeling to work hard due to the payment I am currently receiving' and 34% have no opinion while the rest 10.6% disagrees. Employees also argue that they agree with statement 'There is a need to review and rationalize the pay structure to improve employee efficiency' accordingly, 82% strongly agree or agree, 13.8% have no opinion and only 4.3% disagree. Moreover, 40.4 of respondents believe the current compensation and benefits management is capable of attracting and retaining competent

employees where as 26.6% shows no opinion and 32.9% strongly disagree/disagree. Whereas the majority of respondents hardly believe the banks payment system is based on performance with mean rating of 3.49 which is between no opinions and disagree and 64.9 strongly disagree/disagree, 8.5% have no opinion and 26.6 agree/strongly agree. When asked to give their level of agreement on, 'if they think my job performance affected by the remuneration policy of the bank' 50% of the respondents agree/strongly agree while 33% decline to give their level of agreement the rest 17% disagree with the statement. These ratings resulted in a mean of 2.56. This implies that the majority of the respondents agree that remuneration have a huge impact on performance. Moreover most of employees 39.3 agree/strongly agree with the statement of 'the existing benefit package motivates me well' 35.1 have no opinion and remaining 25.5% disagree /strongly disagree with the statement. Further it was established that employers that paid their employees well were likely to perform well due to reduced employee turnover. Dashen employee turnover rate as it can be shown in its annual performance report of 2018/19 budget year was 3.2% which is acceptable compare to the financial industry standard of up to10% turnover rate.

Attitude of employees towards the banks remuneration policy

Since exploring the attitude of employees towards their company's remuneration policy was one of the objectives of this research. To do so, eight statements that are related to the bank's remuneration policy were provided for the respondents to indicate their level of agreement based on their state of mind.

Table 3: Statements on employees' attitude towards remuneration of the bank

Statements	1	2	3	4	5	Total	Mean
The bank provides a more flexible benefit options	3.2	14.9	47.9	28.7	5.3	100	3.18
Employees skills and abilities are put to good use in work	34.0	25.5	29.8	10.6	0	100	2.17
Employees gain personal accomplishment through their work	22.3	23.4	29.8	10.6	13.8	100	2.7
The current compensation and benefits management provides appropriate payment for the work-related experience and qualification I have	5.3	13.8	20.2	23.4	37.2	100	3.73
The bank's remuneration policy keeps all levels of employees equally benefited	4.3	20.2	35.1	19.1	21.3	100	3.33
The bank facilitates all the tools & resource to do the job well.	56.4	29.8	7.4	6.4	0	100	1.64
I think my job performance affected by the remuneration policy of the bank	10.6	39.4	33	17	0	100	2.56
The bank encouraged employees to come up with new and better ways of doing things	18.1	13.8	20.2	8.5	39.4	100	3.37

Source: Primary data (2020)

Employees were asked if they agree with the statement 'the bank provides a more flexible benefit options'. As the table above depicts, the majority of the respondents 47.9% said that they have no opinion about it and 18.1% of the respondents replied that they agree/strongly disagree while the remaining 34% disagree/strongly disagree with the statement. When asked if employees skills and abilities are put to good use in the bank's work environment 59.6% of respondents strongly agree/agree with statement and 29.8 of respondents refuse to express their opinions but only 10.6% disagree/strongly disagree with the statement. The resulting mean was 2.17% which is indicative of the fact most of the respondents were in the view of the bank create good work environment to utilize skills of the employees. Moreover, about 55.7% of the respondents strongly agree/agree with the statement that says 'employees gain personal accomplishment through their work' and about 29.8% of the respondents have no opinion and the rest 24.4% disagree/strongly disagree with mean rating of 2.7 which is between agree and no opinion. Whereas the majorities 60.6% of the respondents strongly disagree/disagree with the statement 'the current compensation and benefits management provides appropriate payment for the work-related experience and qualification I have', 20.2% shows no opinion and only 19.1% agree/strongly agree. Similarly, the majority of respondents 50.4% strongly disagree/disagree with the statement 'The bank's remuneration policy keeps all levels of employees equally benefited ', 35.1% have no opinion while 24.5% have agreed/strongly agreed with the statement. The mean rate of the above two questions were 3.73 and 3.33 respectively both with the scale of between disagree and no opinion. Whereas the vast majority of the respondents 86.2% strongly agree/agree with statement 'the bank facilitates all the tools & resource to do the job well' while 7.4% shows no opinion the remaining 6.4% disagrees which results a mean of 1.14. When asked to give their level of agreement with the statement 'the bank encouraged employees to come up with new and better ways of doing things' the highest percentage of 47.9% strongly disagree/disagree with the statement while 31.9% agree/strongly agree and the rest 20.2% have no opinion. Whereas for the statement 'if they think their job performance affected by the remuneration policy of the bank' 50% of the respondents agree/strongly agree while 33% decline to give their level of agreement the rest 17% disagree with the statement. These ratings resulted in a mean of 3.33and 2.56respectively for the above two statements. The above findings show that even if employee's job satisfaction was enhanced by the attractive salary and benefit packages it was revealed that majority of the employees were motivated to perform not only for monetary rewards but also good working conditions like good office facilities, management styles and achieving personal accomplishment through work were also aspects that influenced employee performance.

Performance Measurement

In measuring the impact of remuneration on employee performance, respondents were asked key questions which are indicators of the bank performance to state their level of agreement based on their state of mind.

Table 4: Statements on current performance of the bank

Statements	1	2	3	4	5	Total	Mean
The bank's profitability is increasing.	27.7	52.1	11.7	8.5	0	100	2.01
The number of customers is increasing.	40.4	43.6	16	0	0	100	1.76
Resource utilization for better customer service is enhanced	37.3	55.3	7.4	0	0	100	1.70
Customers of the bank are	17	39.4	35.1	3.2	5.3	100	2.40

satisfied with bank's service.							
The shareholders of the bank are satisfied with the performance of the company.	17	33	50	0	0	100	2.33

Source: Primary data (2020)

As it can be observed from the above table almost all respondents' rate 'the bank's profitability is increasing' and 'the number of customers are increasing' either strongly agree or agree and the mean rating was 2.01 and 1.76 respectively. Moreover, 92.6% of the respondents rate 'resource utilization for better customer service is enhanced the rest, 7.4% have no opinion. Similarly, 56.4% of respondents agree/strongly agree with the statement 'customers of the bank are satisfied with bank's service' and 35.1% show no opinion and the remaining 8.5% respond disagree/strongly disagree and mean rating score was 2.4. When asked to give their level of agreement on, 'if shareholders of the bank are satisfied with the performance of the company'. '50% of the respondents agree/strongly agree while 50% decline to give their level of agreement 0% disagree with the statement. These ratings resulted in a mean of 2.56. The above table indicates that the average scores for all the 6 statements closer to 2 which indicate that 95% of them agreed with the statements while the rest either disagreed or stays neutral. According to Norton and Kaplan (2006) performance of an enterprise can be measured from four perspectives the first involves that ability of the firms to generate profits from its activities, Secondly, firms can measure their performance using customer satisfaction metrics. Well performing firms have satisfied customers and vice versa. Thirdly, organizations can use internal processes to measure their performance. Efficient and effective internal resource utilization automated with modern technology enhances organizational performance and vice versa and the fourth one is the ability of the organization to satisfy all stakeholders of the business therefore based on the findings it can be concluded that the bank's remuneration policy have a strong positive statistical effect on the performance of employees which in turn can be reflected with a positive impact on overall performance of the bank.

Simple Linear Regression Analysis

To measure the impact of 'remuneration on employee performance of Dashen bank Dessie branch offices' using simple linear regression model, the bank's remuneration policy were made the independent variable while the overall performance of the bank was used as

Table 7: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.651	.221	2.951	.004	1.000	1.000
	remuneration	.593	.074	8.048	.000		

Source: Primary data (2020)

As table 7 shows the tolerance values of independent variable is above 0.1 and the VIF value is below 10. According to the regression equation established, taking all factors into account as constant at zero, the overall performance of employees among Dashen bank Dessie branch offices will be 0.651. Further, study result shows that for a 1-point increase in remuneration, overall employee performance improvement is predicted to increase by 0.593, given that all the other factors are held constant The equation for the regression model is expressed as:

$$Y = a + \beta_1 X + \epsilon$$

$$Y = 0.651 + 0.593X_1 + \epsilon$$

the dependent variable. The coefficient of determination (R²) and correlation coefficient (R) shows the degree of association between the bank's remuneration policy and performance. Study findings indicated that there was a positive relationship (R= .643) between the variables. The study also revealed that 41.3% of variance in employee performance of Dessie branch offices could be explained by the adopted bank's remuneration policy. The findings are as shown in the Tables 5.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.643 ^a	.413	.407	.64634

Source: Primary data (2020)

Table 6 show the results of ANOVA test which revealed that the combined independent variables have a statistically significant effect on overall performance of Dashen bank Dessie branch offices. This can be explained by F values (64.766) and p values (.000) which are statistically significant at 95% confidence interval. This therefore implies that there was enough evidence to suggest remuneration has significant positive impact on overall performance of Dashen bank employees.

Table 6: ANOVA

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.056	1	27.056	64.766	.000 ^b
	Residual	38.433	92	.418		
	Total	65.490	93			

Source: Primary data (2020)

Table 7 show the results of regression coefficients, which reveal that a positive effect was reported for adopted remuneration policy of the bank. Further, the results showed that at 95% confidence level remuneration (p=.000) was statistically significant since the p value was less than 0.05 and the t values were high (greater than 2.132). This implies that the remuneration policy of the bank had positive effect on employee's performance. Remuneration enables the organization to adapt more readily to changing market environments, focus on core competencies, and take advantage of the knowledge, expertise and efficiencies of employees (Poels, 1997)

Where:

β is a correlation coefficient

Y = effect of remuneration on employees performance

X1 = Remuneration (wage & salary, benefits, incentives, perquisites)

ϵ = error term associated with regression model

After Regression Analysis, it was concluded that there was a significant positive relationship between independent variables of remuneration policy of the bank and dependent variable of employee's performance of Dashen bank Dessie branch offices.

CONCLUSIONS

The main objective of this study was to assess the impact of organization's remuneration policy on employees performance from the study findings, it was concluded that remuneration policy plays vital positive role in overall performance of employees. In addition, this study also concluded that the majority of the employees of Dashen bank Dessie town branch offices have a positive attitude towards their company remuneration policy. Moreover, the study findings indicate that even if most employees are satisfied with the remuneration plan of the bank and indicate that the pay scale is capable of attracting competent employees and attract new ones but most of them indicate that they do not think the payment they are receiving do not match with the work experience and qualification they have. The study results also show that the bank's payment is not based performance which might have discouraged employees from improving their performance further. The study findings also show that the bank do not periodically updated and evaluated the remuneration policy effectiveness. Therefore, it is concluded that continuous review of the remuneration policies should be a practice in order to enhance the bank's competitiveness in this dynamic business environment. The other thing that might limit employees motivation were that they think the bank's remuneration policy do not give equal benefit packages like mortgage for all level of employees rather it is focused on the middle and higher level managers so that it is conclude that even if it is crucial to attract and retain competent managerial level employees it is also vital to satisfy the need of lower level employees in order to assure high level of performance.

REFERENCES

- Ahmed H. M. S. (2016). Technology in Performance Appraisal System with Specific Reference to Group of Companies HSA and its Partners in the Republic of Yemen. BMRD's Journal of Management & Research, 5(1), 1-6 <http://ibmrdjournal.in/index.php/ibmrd/article/view/88660/0>
- Ahmed H. M. S. and Wube M. C. (2019) The role of entrepreneurship in addressing women unsafe migration: The case of Dessie city administration, Ethiopia. International Journal of Management and Economics, Volume 1, Issue 1, Pages 07-13 <http://www.managementjournals.net/archives/2019.v1.i1.2>
- Ahmed H. M. S., Ahmed Y. A., Kar B. (2017). The Impact Of Demographic And Family Background Factors On Students' Tendency Towards Entrepreneurship In Ethiopia. International Journal of Management and Social Science Research Review, Vol-1, Issue-40, Page 100. <http://ijmsrr.com/admin/archive.php?m=102017>
- Ahmed H. M. S., Buba M. G., Thomran M., Muzeyin J. R., and Ferejo M. N. (2022) 'Evaluation Of Critical Determinants Of Inventory Management Techniques On Universities' Performance In Ethiopia', SMART Journal of Business Management Studies, Vol. 18, No. 2, p.6. [https://www.smartjournalbms.org/journal/vol-18-2/Evaluation-of-critical-determinants-of-inventory-](https://www.smartjournalbms.org/journal/vol-18-2/Evaluation-of-critical-determinants-of-inventory-management-techniques-on-Universities-performance-in-Ethiopia.html)
- management-techniques-on-Universities-performance-in-Ethiopia.html
- Ahmed H. M. S., Tessa T. (2020). Employers' Expectations and Perceptions of Business and Economics College Graduate's Competencies in Ethiopia. IBMRD's Journal of Management & Research, 9(2), 37-50. <http://ibmrdjournal.in/index.php/ibmrd/article/view/156630>
- Ahmed, H. M., Wube, M. C. & Tessema, T. (2018). Factors that affect the Entrepreneurial Intension of TVET Trainees in Wro.Siheen Polytechnic College. IBMRD's Journal of Management & Research, 7(1), 1-11. <http://ibmrdjournal.in/index.php/ibmrd/article/view/122955>
- Ahmed, H.M.S. and Ahmed, Y.A. (2021) 'Constraints of youth entrepreneurs in Ethiopia' Journal of Global Entrepreneurship Research (<https://doi.org/10.1007/s40497-021-00292-z>)
- Ahmed, H.M.S., Muzeyin, J.R., Ferejo, M.N., Amde, S.J. (2022). Evaluation of critical factors influencing framework agreement in public procurement: Evidence from administrative offices in Ethiopia. International Journal of Sustainable Development and Planning, Vol. 17, No. 1, pp. 83-90. <https://doi.org/10.18280/ijstdp.170108>
- Ahmed, K. (2010). Determinants of employee's perception towards compensation & benefit policy: the case of selected higher education institutions. Addis Ababa University, Ethiopia.
- Ahmed, Y., Kar, B., & Ahmed, H. (2018). Critical factors of entrepreneurial competencies for successfully managing micro and small enterprise in Ethiopia. International Journal of Business and Management Invention (IJBMI), 7(7), 79-87. [https://www.iosrjournals.org/iosr-ijbm/pages/20\(7\)Version-1.html](https://www.iosrjournals.org/iosr-ijbm/pages/20(7)Version-1.html)
- Argaw, M. A. and Ahmed H. M. S., (2017) "Factors that Affect Consumers' Tendency to buy Locally Assembled Mobile Phone", IBMRD's Journal of Management & Research, Vol. 6, (2). <http://ibmrdjournal.in/index.php/ibmrd/article/view/120444>
- Aswathappa, K. (2002). Human Resource and personnel Management. (3rd edition). tataMcgraw Hill, New Delhi
- Bratton, J. & Jeffrey G. (1995). Human resource management: theory and Practice. London: Macmillan, press ltd.
- Buba M. G., Das D. P., Ahmed H. M. S. (2018) Service Quality Dimensions and Its Impact on Customer Satisfaction on Private Bank in Ethiopia. IOSR Journal of Business and Management (IOSR-JBM), Vol-2, Issue-2 Pp 1-9. <https://www.iosrjournals.org/iosr-ijbm/pages/Conf.18011-2018-Volume-2.html>
- Dessler, G. (2013), Human resource management (13th edition). Prentice Hall Inc
- Fisher, C. M. (2010). Researching and writing a dissertation: an essential Guide for business students. (3rd edition). Harlow: Financial Times Prentice Hall.
- Hassan, J.K. (2013). Human resource planning practice in management human resources. International Journal of Human Resource Studies, 3(34-47).
- Jemima, K. (2017). Employee remuneration determinants and performance of micro finance institution in Kenya. Jomo Kenyatta University, Kenya.
- Kaplan, R., & Norton, D.P. (2006). Translating Strategy into Action. London: Harvard Business Press.
- Levina, I. (2014). Remuneration in banking: Two lessons from history and current policy. University of Massachusetts Amherst, US.
- Maina, S.K. (2009). The Effects of Remuneration Factors on Performance of Employees in Commercial Banks of South Africa in Nyeri districts. Published Paper. Johannesburg: Johannesburg University
- Maslow, A. (1943). A theory of human motivation, New York, Ny, Harper.

- Mathis & Jackson, (1997). Human resource management. (8th edition), West publishing co. USA
- Muturi, Eliza & Wilfred, (2014). Effects of remuneration on employee's performance. International Journal Of Human Resource Studies, 4, 223-231
- Poels, F. (1997). Job evaluation and remuneration (1st edition). Kogan page Ltd.
- Sarin, A. (2009). Corporate strategic motivation: Evolution continues—Henry. A. Murray's Manifest Needs to Maslow's Hierarchy of Needs to Anil Sarin's Contributory Theory of Existence. Journal of American Academy of Business, Cambridge, 14(2), 237-244.
- Sekaran, U. (2003). Research methods for business. (4th edition.), John Wiley & Sons, Inc.
- Thomran, M., Beshada, T., Alshebami, A.S., Alzain, E. and Ahmed, H.M.S (2021) 'Factors influencing management decisions of manufacturing companies in Ethiopia', SMART Journal of Business Management Studies, Vol. 17, No. 2, pp.86–93. <https://www.indianjournals.com/ijor.aspx?target=ijor:sjbms&volume=17&issue=2&article=010#aff005>.
- Wright and Noe, (1996). Management of organizations. (1st edition), Irwin McGraw Hill, Von Hoffman press, USA.
