

OPEN ACCESS

ISSN (O) 2693-5007

ARTICLE

Compensation Management and Employee Retention in Microfinance Banks in Akwa Ibom State

Samuel Victor Akpan^{1*} | Ayandele Isaac Ayayinka² | Obialor, Donatus Chukwuemeka³

Abstract

This study was conducted to examine the relationship between compensation and employees' retention in microfinance banks in Akwa Ibom State. Five microfinance banks in the state were studied. The study was a survey questionnaire as the research instrument. A sample size of 120 was extracted from a population of 138 using Taro Yamane's formula. The study achieve 88.3% response rate. Data were analysed with simple and multiple linear regressions. The study revealed that about 84.1% of variance in employee retention in microfinance banks in Akwa Ibom State was attributable to the salary paid to employees in various microfinance bank: that about 40.1% of the variance in employee retention in microfinance banks in Akwa Ibom State was attributable to fringe benefits offered employees of microfinance banks in Akwa Ibom State: that about 52.8% of variance in employee retention in microfinance banks in Akwa Ibom State was attributable to performance bonus: that about 86.9% of the variance in employee retention in microfinance banks in Akwa Ibom State is attributable to the influence of salary, fringe benefits, performance bonus and incentive packages. It was concluded that a relationship existed between compensation management and employee retention in microfinance bank in Akwa Ibom State. It was recommended that microfinance should formulate compensation management policies that will enable them attract and retain best hands to help drive their operations; that microfinance banks do more in terms of payment of competitive salaries, performance bonus and fringe benefit sand that in view of outcome of the analysis which tends to suggest that incentive was not significantly related to employee retention in the microfinance sector in Akwa Ibom State, the option should not be considered in stimulating employee retention.

Key words: Insurgency, Unknown- gunmen, Insecurity, Employees' Attitude, Blood-letting, Anambra State

1 | INTRODUCTION

All organizations the world-over require the services of employee to carry out their operations. Employees are the organization's key resource and they account for either success or failure of organization whether public or private. The ability of the employers to attract, retain, and reward their staff is therefore, an important challenge of contemporary organizations. Hence,

the need to retain employees especially the talented and competent ones with motivating compensation packages. The willingness of employees to remain with an organization largely depends on compensation packages of the organization. Therefore an organization that is desirous of ensuring employees optimal performances and that employee remain with it, needs to consider a variety of appropriate ways to reward the employees to get the desired results (Folola, Ibidunni and Olokundun,

¹Department of Management Faculty of Business Administration University of Uyo, Nigeria.

²Department of Management Faculty of Business Administration University of Uyo, Nigeria.

³Department of Management Faculty of Business Administration University of Uyo, Nigeria

Address correspondence to: Samuel Victor Akpan. Department of Management Faculty of Business Administration University of Uyo, Nigeria., Email: sammyangeljoe@gmail.com

Supplementary information The online version of this article (<https://doi.org/10.52868/RR/2022-3-2-1>) contains supplementary material, which is available to authorized users. Samuel Victor Akpan et al. 2022; Published by MEERP, Inc. This Open Access article is distributed under the terms of the Creative Commons License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

2014). It has been argued that the degree to which employees are satisfied with their jobs and their readiness to remain with an organization is a function of compensation packages and reward system of the Organization (Osibanjo, Abiodun and Fadugba, 2012).

Several definitions of compensation can be seen in management literature. This is due to different points of view of authors who make their contributions on the subject matter. In general, compensation is considered as a mechanism used to reward labour. It might be an entitlement, return, or reward, or might include all of these types (Tabachnick and Fidell 2011). In an organization's view, compensation is a key factor of the employment relationship, as it is vital for both employees and employers. Compensation decisions also have strong impacts on other issues relating to attracting and retaining employees in the labour market and their working commitment in a firm. In an individual view, compensation is a source of sustenance. Although there are different views of compensation, this varying terminology has a common meaning as it represents all forms of financial and non-financial benefits given to employees on account of an ongoing employment relationship.

Organizations the world over have goals and these goals can only be achieved through the effort of satisfied and happy employees in its employment. It is also important to note that for any organization to begin its operations and be able to achieve its set goals in the medium and long term, this will depend on its capacity to attract, retain and maintain competent and satisfied staff in its employment.

The Microfinance Banks (MFBs) belong to the banking industry an industry that is highly competitive and that which required juicy compensation deals to attract and keep the best in the system. Compensation packages entail some basic features that tend to make employees satisfied on their job. These include salaries, bonuses, incentive, allowances, promotion, and recognition (Martineau, Lehman, Matwa and Kathyola, 2012). All these have significant impact on employee's performance and their decision to remain with their organizations and by extension the ability of organization to achieve their objectives. While a

number of studies have been conducted on employees' compensation and satisfaction in some organizations, this has not been done involving employees compensation and retention in microfinance banks in Akwa Ibom State.

According to Ojo (2011), there are three components of employees' compensation in an organization which are the basic pays fringe benefits and performance boms. According to Robbins (2013), employee compensation can include many different types of rewards and benefits such as salaries, incentive payments, other benefits and services that trigger the level of motivation.

The basic pay is the basic wage inform of salary; salaries are paid employees at the end of every month, salaries come in fixed and regular sums depending on the employee's level in the organization. Someone who is paid a salary is paid a fixed amount in each pay period, with the total of these fixed payments over a full year summing to the amount of the salary. Fringe benefits are supplementary compensations awarded to employees over and above the basic wage or salary. Since the coming of the term "Fringe Benefits" during World War II, the scope of employees' benefits has widened remarkably in both developed and developing countries. Such benefits cover a wide range of rewards which provide security, differed remuneration and various services for employees. Common examples of fringe benefits include medical and dental insurance, use of a company car, housing allowance, educational assistance, vacation pay, sick pay, meals and employee discounts. Total compensation includes regular income and all of these paid benefits. An incentive is an object, item of value, or desired action or event that spurs an employee to do more of whatever was encouraged by the employer through the chosen incentive. Compensation incentives may include items such as increase in salary, profit sharing, signing bonus, and stock options. A performance bonus is a form of additional compensation paid to an employee or department as a reward for achieving specific goals or hitting predetermined targets.

The significance of the subject matter, compensation emanates mainly from the fact that it provides income to worker and constitutes an

COMPENSATION MANAGEMENT AND EMPLOYEE RETENTION IN MICROFINANCE BANKS IN AKWA IBOM STATE

important cost item to the employers, the largest single cost item for many organizations. For the workers, wage provides the means of satisfying their wants and needs.

2 | STATEMENT OF THE PROBLEM

The banking sector plays an important role in the growth of any economy through financial intermediation. This sector on a yearly basis experiences huge employee's turnover as employees move from one banking institute to another. This can be disruptive and costly to the organization as competent employees from the organization leave resulting in adverse effect on service delivery.

The ability of the employers to attract, retain, and reward their staff is an important goal of every organization. Hence the need to retain employees especially, the talented and competent ones with motivating compensation packages. Arguably, there is high competition among microfinance banks to attract and retain competent hands to drive their operations. Though as an industry, the microfinance sector is open to staff movement, a motivating compensation package can help retain the best staff in a system as long as the system has need for same. While a number of studies have been conducted on employees' compensation and satisfaction in some organizations, findings seem to suggest that employees' job attitudes and loyalty to organizations may be related. It is against this background that the study examines employees' compensation and retention in microfinance banks in Akwa Ibom State with a view to investigating how employees' compensation components of salaries, incentives, fringe benefits and performance bonus have influenced employees' retention in microfinance banks in the state.

Objectives of the Study

The main objective of this study was to investigate the influence of compensation management on employees' retention in microfinance banks in Akwa Ibom State of Nigeria.

The following were the specific objectives of this study. They are to:

- i. Examine the influence of salary on employees' retention in microfinance banks in Akwa Ibom State;
- ii. Assess the impact of fringe benefits on employees' retention in microfinance banks in Akwa Ibom State;
- iii. Establish the influence of performance Bonus on employees' retention in microfinance banks in Akwa Ibom State;
- iv. Investigate the effect of incentives packages on employees' retention in microfinance banks in Akwa Ibom State; and
- v. Explore the influence of salary, fringe benefits, performance bonus and incentive on employees' retention in microfinance banks in Akwa Ibom State.

Research Questions

The following research questions were posed in this study:

- i. What influence has salary on employees' retention in microfinance banks in Akwa Ibom State?
- ii. What influence has fringe benefits on employees' retention in microfinance banks in Akwa Ibom State?
- iii. How does performance bonus influence employees' retention in microfinance banks in Akwa Ibom State?
- iv. What influence has incentives packages on employees' retention in microfinance banks in Akwa Ibom State?
- v. What influence has salary, fringe benefits, performance bonus and incentive on employees' retention in microfinance banks in Akwa Ibom State?

Hypotheses of the Study

The following hypotheses were formulated in this study:

H₀₁: Salary has no significant influence on employees' retention banks in microfinance in Akwa Ibom State.

Ho2: Fringe benefits have no significant effect on employee's retention in microfinance banks in Akwa Ibom State.

Ho3: Bonus has significant on employee's retention in microfinance banks in Akwa Ibom State.

Ho4: Incentives packages have no significant effect on employee's retention in microfinance banks in Akwa Ibom State.

Ho5: Salary, fringe benefits, performance bonus and incentives have no significant influence on employee's retention in microfinance banks in Akwa Ibom State.

2 | REVIEW OF RELATED LITERATURE

Compensation Management

In the view of Naukrihub (2009), compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary rewards to employees. Compensation management is an integral part of human resources management which helps to motivating the employees and improving organizational effectiveness.

According to Bowman (2013), Compensation can be defined as all the employers' available tools that may be used attract, retain, motivates and satisfy employees. This encompasses every single investment that an organization makes in its people and everything its employees value in the employment relationship. In organizational setting, the notion of compensation management has it that there is more' to rewarding people than throwing money at them, or as Mulis and Watson in Armstrong (2012) puts it "the monetary value in the compensation package still matter but they are not the only factor". They also stress that compensation policies are based "building a much deeper understanding of the employee agenda across all elements of rewards".

Armstrong (2012) opines that compensation and reward process are flows of events that determine the level, forms and differentials of financial

rewards, fringe benefits and non-financial rewards received by each member of the organization. Typically found in this complex process are method of assessing competitive wage in eternal labour market, for job evaluating, for the establishment of wages, rates and salary ranges for different job categories and for decision making processes to establish salaries and wages according to differential performance. McFarland (2011) believed among the various devices for electing the loyalty, co-operation and effort of individuals are the various forms of reward both financial and non-financial. According to Hewitt (2009), compensation provided to an employee can be direct in the form of monetary benefits or indirect in the form of non-monetary benefits known as perks, time off, and others.

Employee Retention

Employee retention can be stated as the process in which employees are encouraged or motivated to stay with the organization for the maximum period of time or until the completion of the project (Hong, Hao, Kumar, Ramendran and Kadiresan, 2012). It is beneficial both for the organization as well as for the employees and the employers. Employee retention is also important because when an employee remains in an organization for a longer period then he or she becomes the storehouse of knowledge and secrets of the organization. But when he or she leave the current organization and joins a new organization then is becomes positive for the later and negative for the previous one as because knowledge and secrets are moving with him or her only. In addition, organization's status is also at risk where turnover rate is relatively high. The customers do not feel positive dealing with an organization which is unable to keep their employees(Kyi, 2011). Again, constant employees. So, when employees notice that their colleagues are going to another organization, automatically their efficiency levels go down.

Compensation Management and Employee Retention

Compensation Management has the ability to

COMPENSATION MANAGEMENT AND EMPLOYEE RETENTION IN MICROFINANCE BANKS IN AKWA IBOM STATE

achieve employee satisfaction and employee retention, as it comprises both financial and non-financial rewards that attract, motivate and satisfy valuable human capital, retaining effective performers as the compensation system recognizes desired behavior. A person's paycheck is a way to communicate the value and importance of teamwork (Caudron, 2011). Remuneration is a source of power, and a means of employee acquiring necessities and luxuries, and ensures employees' willingness and commitment to excel on the job, thereby ensuring employee's retention. The compensation package must be attractive enough to prevent employees from becoming dissatisfied and looking elsewhere for the better salary, career development opportunities, fringe benefits, bonuses and incentive. Among the underlying foundations of compensation theory is that compensation influences behaviour. The basic premise originated from the work of Behavior Psychologist such as B.F, Skinner, who believed in operant conditioning (Hitchcock and Willard, 2015). In summary, if you reward an organism for certain behavior, that organism will be more likely to repeat that behavior. According to Tabachnick and Fidell (2011), results of compensation should include improved employee satisfaction, low employee turnover and better organizational performance.

4 | MICROFINANCE BANK (MFBS)

Microfinance means providing financial services to the poor who are not being served by conventional banks (CBN, 2005). Microfinance bank (MFBs) support earners, and Small and Medium Scale Industries subsector of the Nigerian economy by providing credit facilities and other financial services. Shastri (2009) argues that micro savings are deposit services that allow people to keep a little amount of money without strict requirements. MFBs like every other business are established to take care of the needs of various stakeholders. The financial services offered by MFBs include savings, current, loans to individual and small business in rural and urban areas of country. Small and medium enterprises constitute a large proportion of the

business sectors in Nigeria. MFBs provide services to these small businesses to ensure their growth. The formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services (Central Bank of Nigeria, 2004). The features that distinguish microfinance from other forms of formal financial are; smallness of loans advanced and savings collected, near absence of assts-based collateral and simplicity of operations. It can be deduced from the foregoing that microfinance is a poverty alleviation strategy which operates by providing credit and other financial services to economically active and low income households and their business (CBN, 2004).

5 | THEORETICAL REVIEW

Vroom's Expectancy Theory

The Expectancy Theory of motivation was propounded by Victor H. Vroom. Vroom's expectancy theory was an attempt to describe how an individual's motivation to achieve a particular goal or performance target can be explained in terms of what outcome would become beneficial to the individual as a result of achieving that goal what value is placed on that outcome (Banjoko, 2010). Vroom's theory is based on the belief that employee effort will lead to performance and performance will lead to rewards (Vroom, 1964). Essentially, the expectancy theory argues that the strength of a tendency to act in a certain way depends on the strength of the expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual (Robbins, 2009). According to Idemobi (2010), the Expectancy Theory is a process theory developed which basically concentrates on the outcomes. What Vroom explained in his theory is that in order to motivate employees or people, the effort put in by the employees, the performance generated and motivation must be linked to one another. According to Vroom, employees exerts on a specific task depends on their expectations of the outcome. According to Banjoko (2010) the expectancy theory includes three variables or relationships which are

attractiveness, performance-reward linkage and the effort-performance linkage. Attractiveness explains the importance that the individual places on the potential outcome or reward that can be achieved on the job. This considers the unsatisfied needs of the individual.

Performance-reward linkage is the degree to which the individual believes that performing at a particular level will lead to the attainment of a desired outcome. Effort-performance linkage explains the perceived probability by the individual that exerting a given amount of effort will lead to performance. These three factors according to Vroom combine and create a “force” which stimulates or motivates an individual to put in effort in order to achieve a level of performance and then obtain end rewards. He suggested that “force” or “effort” was a result of multiple of “expectancy” and “valence” (encompassing instrumentality) in the formula, Force = Expectancy x Valence: $F = f(E * V)$. This formula can be used to indicate and predict things such as; job satisfaction, occupational choice, the likelihood of staying in a job, and effort that one might expend at work.

6 | EMPIRICAL REVIEW OF LITERATURE

Kalim, Syed and Muhammad (2010) investigated the role played by rewards in the process of motivating employees in the public service. The results were analysed in terms of descriptive statistics followed by inferential statistics. The results indicated that there is a statistical significant relationship between all the independent variables with dependent variable employee work motivation. Tsai (2015) carried out a study to find out the impact of rewards and recognition programme on the employee’s satisfaction at UNILEVER Company Nigeria. It was revealed that factors affecting staff satisfaction in their order of influence were identified: payment (0.86), promotion (0.74), working condition (0.61), personal (0.37) Ungson and Steers (2012) carried out a research in order to investigate and analyse how well the current reward system of Motonet-Espoo helps generate employee work motivation. The research results revealed that a well formulated policy on motivation would

influence employee motivation. Mark (2011) carried out a study to find out the effect of reward system and its impact on employee motivation in commercial bank of Sri Lanka Plc, in Jaffna District. The results revealed that staff and employees from non-white racial background experience lower levels of rewards and motivation. Milman (2013) investigated the reasons behind hourly employee turnover in the amusement park and attraction industry. It was found that hourly employees’ retention was predicted by self-fulfillment and working conditions rather than monetary rewards. John and Teru (2017) investigated compensation and staff retention in selected commercial banks in Adamawa State. The data were analysed using regression analysis. Findings revealed that compensation has positive effect on the retention of commercial bank staff, except when used as an incentive.

Odendaal (2010) carried out a research on ‘staff retention in an information management environment’. The major objective of the research was to identify relationship between motivation, job satisfaction and retention. The study came out with the following factors influencing staff retention according to importance: Communication, Good working condition, job security, opportunities for learning and growth, recognition, promotional opportunities, Good supervision/leadership Responsibility and accountability, stimulating task, Compensation/pay, Co-workers, prestigious job. Result of the research therefore shows that compensation/pay is not a major motivator of employees.

Faustina (2012) carried out a study on the impact of motivation on employee retention in standard chartered bank limited Ghana. The result of the study shows that motivational factors such as salary and fringe benefits were rated as most important to the workforce of the bank followed by job security and relationship with co-workers. Considering the major findings of the research. Wambugu and Ombui (2013) did a study on the effects of reward strategies on employee retention at Kabete Technical Training Institute, Nairobi. The study found a significant relationship between the reward strategies and employee retention.

COMPENSATION MANAGEMENT AND EMPLOYEE RETENTION IN MICROFINANCE BANKS IN AKWA IBOM STATE

7 | METHODOLOGY

Research Design

This research made use of the survey research design. The design enabled the researcher to obtain information from studied respondents and thus facilitated generalization about the studied population. The population of the study made up of all the staff of the microfinance banks in Akwa Ibom State that were studied. These banks and their staffing populations as at October, 2019 were: Uniuyo MFB (25), Prospect MFB (25), Standard MFB (51), Eduek MFB (20) and Active Point MFB (17). These banks were selected because they met the researcher's criteria of having being operation for at least five years, having their head offices in Uyo and being among the topmost microfinance banks in the state in terms customer base and volume of transactions. A sample size 102 determined from a population of 138 through Taro Yamane's sample size determination technique. It was decided that this number he stepped up to 120. This was aimed at improving upon generalization of findings.

Going by the five microfinance banks selected for study, proportional quota sampling was employed in determining the number of respondents from each of the microfinance bank. Multiple regression analysis was applied to analyze the relationship between the single dependent variable (Employee retention) and several independent variables (Salary, Fringe Benefit, Performance Bonus and Incentive). The Linear Regression model used was as represented thus:

- i. $Y = a + Bx + e$ 1
- ER= $a + SAL + e$ equation 2
- ER= $a + FRB + e$ equation 3
- ER= $a + PBS + e$ equation 4
- ER= $a + INC + e$ equation 5

Where:

- Y = dependent variable (Employee Retention, ER)
- a = the y intercept
- b = regression coefficient
- x = independent variables
- SAL = Salary
- FRB = Fringe Benefits
- PBS = Performance Bonus
- INC = Incentive
- e = error terms

ii. The Multiple Regression model for Null hypothesis five is represented thus
 $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + c$

Data Analysis and Discussion of Findings

During the course of the research, one hundred and twenty (120) copies of the questionnaire were distributed to staff of studied microfinance banks in Akwa Ibom State. Of this number, 106 copies were dully completed and returned. This number represents 88.33% response rate.

Test of Hypotheses

The following hypotheses were tested at 0.05 level of significance in the study

Hypothesis 1

Hi: Salary has no significant influence on employees' retention in Micro Finance Banks in Akwa Ibom State

Hii: Salary has a significant influence on employees' retention in Micro Finance Banks in Akwa Ibom State

Table 1: Regression Analysis Result on Relationship between Salary and Employees' Retention in Microfinance Banks in Akwa Ibom State

MEERP

A. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917 ^a	.841	.839	.71783

B. Goodness of Fit of the Model^a

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	283.447	1	283.477	550.140	.000 ^b
	Residual	53.589	104	.515		
	Total	337.066	105			

C. Coefficients^a

Model		Unstandardized Coefficients	Standardize Coefficients	t	Sig.
		B	Beta		
1	(Constant)	1.062		2.199	.030
	X1i	1.252	.917	23.455	.000

a. Depended Variable: Yi
 X1i represents Salary
 Yi represents Employees' Retention
 Source: Field Survey, 2019

Table 1 shows the result of regression analysis on the influence of salary o employee retention in microfinance banks in Akwa Ibom State. The generalized model summary showed a R2 of 0.841 which implies that 84.1 percent of the changes in salary influences 84.1 of the changes in employees retention. The model also showed a goodness of fit at 99 percent (p – value <0.01). Salary's influence on employees' retention showed statistically significant relationship at 99 percent (also p – value<0.01). Based on the result, the null hypothesis that salary has no significant relationship with employee retention in microfinance banks in Akwa Ibom State is rejected while the alternative is accepted. Hence, salary has a significant effect on employee retention in microfinance banks in Akwa Ibom State. By implication, salary is capable of predicting employees' retention in microfinance banks in Akwa Ibom State.

Hypothesis 2

Ho: Fringe benefits have no significant effect on employees' retention in microfinance banks in Akwa Ibom State.

H1: Fringe benefits have a significant effect on employees' retention in microfinance banks in Akwa Ibom State

Table 2: Regression Analysis Result on the Effect of Fringe Benefits on Employee Retention in Microfinance Banks in Akwa Ibom State.

A. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633 ^a	.401	.395	1.39382

B. Goodness of Fit of the Model^a

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	135.022	1	135.022	69.501	.000 ^b
	Residual	202.044	104	1.943		
	Total	337.066	105			

C. Coefficients^a

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
		B	Beta		
1	(Constant)	.923		.674	.502
	X2i	1.095	.633	8.337	.000

a. Depended Variable: Yi
 Yi represents Employees' Retention
 Source: Field Survey, 2019

Table 2 shows the result of regression analysis on the impact of fringe benefit on employee retention in microfinance banks in Akwa Ibom State. The generalized model summary showed a R2 of 0.401 which implies that 40.1 percent of the changes I fringe benefit impacts 40.1 of the changes in employees' retention. The model also showed goodness of fit at 99 percent (p – value <0.01). Fringe benefits impact on employees' retention showed statistically significant relationship at 99 percent (also p – value <0.01). Based on the result, the null hypothesis that fringe benefit has no significant impact on employee retention in microfinance banks in Awa Ibom State is rejected while the alternative is accepted. Hence, fringe benefit has a significant effect on employee retention in microfinance banks in Akwa Ibom State. By implication, fringe benefits can predict employees' retention behaviour in microfinance banks in Akwa Ibom State.

Hypothesis 3

COMPENSATION MANAGEMENT AND EMPLOYEE RETENTION IN MICROFINANCE BANKS IN AKWA IBOM STATE

Ho: Performance bonus has no significant influence on employees' retention in microfinance banks in Akwa Ibom State.

H1: Performance bonus has a significant influence on employees; retention in microfinance banks in Akwa Ibom State.

Table 3: Regression Analysis Result on the Influence of Performance Bonus on Employee Retention in Microfinance Banks in Akwa Ibom State.

A. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.727 ^a	.528	.524	1.23658

B. Goodness of Fit of the Model^a

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	178.036	1	178.036	116.429	.000 ^b
	Residual	159.030	104	1.529		
	Total	337.066	105			

C. Coefficients^a

Model		Unstandardized Coefficients	Std. Error	t	Sig.
1	(Constant)	2.776	.888	3.125	.002
	X3i	.951	.088	10.790	.000

a. Depended Variable: Yi
Source: Field Survey, 2019

Table 3 shows the result of regression analysis on the influence of performance bonus on employee retention in microfinance banks in Akwa Ibom State. The generalized model summary showed a R2 of 0.528 which implies that 52.8 percent of the changes in performance bonus influences 52.8 of the changes in employees' retention. This shows a marginal influence showing that there are a series of other factors that also influence employee's retention other than performance bonuses. The model also showed a goodness of fit at 99 percent (p – value <0.01). Performance bonus' impact on employees' retention showed statistically significant relationship at 99 percent (also p – value <0.01). Based on the result, the null hypothesis that performance bonus has no significant influence on

employee retention in microfinance banks in Akwa Ibom State are rejected while the alternative is accepted. Hence, performance bonus has a significant effect on employee retention in microfinance banks in Akwa Ibom State. By implication, performance bonus can predict employees' retention behaviour in microfinance banks in Akwa Ibom State.

Hypothesis 4

Ho: Incentives packages have no significant effect on employees' retention in microfinance banks in Akwa Ibom State.

H1: Incentives packages have a significant effect on employees' retention in microfinance banks in Akwa Ibom State

Table 4: Regression Analysis Result on the Effect of Incentives Packages on Employee Retention in Microfinance Banks in Akwa Ibom State.

A. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.077 ^a	.006	-.004	1.79494

B. Goodness of Fit of the Model^a

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	1.996	1	1.996	.620	.433 ^b
	Residual	335.070	104	3.222		
	Total	337.066	105			

C. Coefficients^a

Model		Unstandardized Coefficients	Std. Error	t	Sig.
1	(Constant)	11.431	1.084	10.541	.000
	X4i	.086	.110	.787	.433

a. Depended Variable: Yi
Source: Field Survey, 2019

Table 4 shows the result of regression analysis on the effect of incentives packages on employee retention in microfinance banks in Akwa Ibom State. The generalized model summary showed a R2 of 0.006 which implies that 6 percent of the changes in incentives packages affects 6% of the changes in employees' retention. The model also showed insignificant goodness of fit. Incentives

packages effect on employees’ retention showed statistically insignificant relationship. Based on the result, the null hypothesis that incentives package has no significant effect on employee retention in microfinance banks in Akwa Ibom State is accepted. Hence, incentives packages have no significant effect on employee retention in microfinance banks in Akwa Ibom State. By implication, incentives packages cannot predict employees’ retention behaviour in microfinance banks in Akwa Ibom State.

Hypothesis 5

Ho: Salary, fringe benefits, performance bonus and incentives packages have no joint influence on employees’ retention in microfinance banks in Akwa Ibom State.

H1: Salary, fringe benefits, performance bonus and incentives packages have a joint influence on employees’ retention in microfinance banks in Akwa Ibom State.

Table 5: Multiple-Regression Analysis Result on Joint Influence of Salary, Fringe Benefits, Performance Bonus and Incentives Packages on Employee Retention in Microfinance Banks in Akwa Ibom State.

A. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.884 ^a	.869	.868	.32084

B. Goodness of Fit of the Model^a

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	326.669	4	81.667	793.375	.000 ^b
	Residual	10.397	101	.103		
	Total	337.066	105			

C. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.692	.372		-9.927	.000
	X1i	1.001	.029	.733	34.053	.000
	X2i	.480	.040	.277	12.115	.000
	X3i	.221	.035	.169	6.337	.000
	X4i	-.018	.022	-.016	-.829	.409

a. Depended Variable: Yi

b. Predictors: (Constant), X4i, X2i, X1i, X3i

Source: Field Survey, 2019

Table 5 presents the joint influence of salary, fringe benefits, performance bonus and incentives packaging on employee retention in microfinance banks in Akwa Ibom State. The generalized model summary showed a R2 of 0.869 which implies that 86.9 percent of the changes in these variables jointly affects 86.9 percent of the changes in employees’ retention. The model also showed insignificant goodness of fit (p – value <0.01). this shows that variable brought together have a linear relationship as stated in the model. Salary (X1i) showed a statistically significant effect on employees’ retention (p – value <0.01), Fringe benefits (X2i) showed a statistically significant effect on employees’ retention (p – value <0.01), and performance bonus (X3i) showed a statistically significant effect on employees’ retention (p – value <0.01). Incentive packages showed statistically insignificant relationship. Based on the result, the null hypothesis that salary, fringe benefits, performance bonus and incentive have no joint influence on employees’ retention in microfinance banks in Akwa Ibom State rejected.

8 | DISCUSSION OF FINDINGS

Findings of the study indicate that salary, fringe benefits and performance bonus have significant relationship with employee retention in the microfinance banks in Akwa Ibom State. However, incentive did not have a significant relationship with employee retention in Akwa Ibom State. The analysis also showed that among the compensation variables studied, salary (84.1%) has the greatest influence on employee retention; followed by performance bonus (52.8%) and fringe benefit (40.1%).

The finding of this study is in line with the opinions and findings of experts and researchers in the area of compensation management. According to Faustina (2012), compensation management system includes nay thing an employee value and desire compensation from their employers on account of their services and contribution to their organization. Also, Bowman (2013) asserted that compensation

COMPENSATION MANAGEMENT AND EMPLOYEE RETENTION IN MICROFINANCE BANKS IN AKWA IBOM STATE

systems are designed to attract, retain and motivate employees. As reasoned by Tabachnick and Fidell (2011), result of compensation should include improved employee satisfaction, low employee turnover and better organization performance. Furthermore, Adeniji and Osibanjo (2012) argue that appropriate compensation makes work more satisfying to employees while and making them to understand the advantages of working for their current organization compared with moving elsewhere. Studies such as Kalim, Syed and Muhammad (2012) who investigated the role played by rewards in the process of motivating employees in the public service, were able to establish that rewards were capable of motivating employees to be committed to their organizations.

Furthermore, studies by Tsai (2005), John and Teru (2017) and Faustina (2012) carried Wambugu and Ombui (2013) indicated that compensation had an influence on employee motivation and retention. However, the results of studies by Mark (2011) did not support our findings.

9 | CONCLUSIONS

The study established a relationship between compensation management and employee retention in microfinance banks in Akwa Ibom State. In particular, the study established that salary, fringe benefits and performance bonus respectively influenced employee retention in microfinance banks in Akwa Ibom State. The findings of this study indicated that compensation management when considered from the studied variables are key variables that determine the decisions by employees of microfinance banks in Akwa Ibom State to remain with their current employers. Therefore, microfinance banks desirous of attracting and keeping competent employees should formulate compensation management policies that meet the expectations of their employees bearing in mind that doing otherwise would be creating a window for such members of the organization to look elsewhere for better treatment.

RECOMMENDATIONS

In line with the findings of this study, the following recommendations are made:

- i. There is need for microfinance banks in Akwa Ibom State to formulate compensation management policies that will enable them to attract and retain best hands to help drive their operations.
- ii. There is need for microfinance banks to do more in terms of payment of competitive salaries, performance bonus and fringe benefits.
- iii. In view of the outcome of the analysis which tends to suggest that incentive was insignificant in employee retention in the microfinance sector in Akwa Ibom State, it is recommended that this option should not be considered in stimulating employee retention. More emphasis should be placed on salary, fringe benefits and performance bonus.

8 REFERENCES

1. Adeniji, A. A., Osibanjo A. O. (2012). Human resource management: Theory and practice, Pumark. Boston: Unique Press Limited, p.809.
2. Armstrong, M. (2012). Human resource management practice. (9th edi.) Philadelphia: Kopan Page Limited, p.669.
3. Banjoko, S. (2010). Human resource management: An expository approach. Lagos: Pumark Nigeria Limited, p.103.
4. Bowman, T. (2013). Human resource management. New York: MacMillan Pub.com, p.192.
5. Caudron, A. (2011). Using voluntary benefits strategically can help employers address goals for retaining employees and controlling costs. *Benefits Quarterly*, 2(2):7 – 10. Central Bank of Nigeria (2004). Financial inclusion. CBN, Abuja, p.109.
6. Falola, H. O., Ibidunni, A. S. Olokundun, A. M. (2014). Incentives packages and employees' attitudes to work: a study of selected government parastatals in Ogun State, South-West, Nigeria. *International Journal of Research in Business and Social Science (IJRBS)*, 3(1): 47 – 56.

7. Faustina, A. (2012). Impact of motivation on employee retention: A case study of Standard chartered bank Ghana limited, master's thesis, Kwame Nkrumah University of Science and Technology, Kenya, p.79
8. Hewitt, A. (2009). Managing performance with incentive pay. *Journal of Personnel Management*, 7(1), 20 – 31.
9. Hitchcock, S. D. and Willard W. (2015). Motivation and monetary incentives: A closer look. *Journal of Management Research*, 6(2): 28 – 34.s
10. Hong, E., Hao, L., Kumar, R., Ramendran, C. and Kadiresan, V. (2012). An effectiveness of human resource management practices on employee retention in institute of higher learning: A regression analysis. *International Journal of Business Research and Management*, 3(2): 60 – 79.
11. Idemobi, L. (2010). Managerial compensation based on organizational performance. *Journal of Industrial Relations*, 5(2): 13 – 19.
12. John, L and Teru, P. (2017). Effect of compensation/pay on staff retention in selected commercial banks in Adamawa State, Nigeria. *International Journal of Scientific Research and Management (IJSRM)*, 5(9): 33 – 39.
13. Kalim, U. K. Syed, U. F. and Muahmmad, I. U. (2010). "The relationship between rewards and employee motivation in commercial banks of Pakistan". *Research Journal of International Studies*, 1(4): 70 – 72.
14. Kyi, K. M. (2011). Factors affecting employee retention in non-profit organizations. Dissertation Adventist International Institute of Advanced Studies, p.221.
15. Mark, D. (2011). Reward strategies. *Journal of Personnel Management*, 1(4): 17 – 29.
16. Martineau, T., Lehman, U., Matwa, P., Kathyola, J., Storey, K. (2012). Factors affecting retention of different groups of rural health workers in Malawi and Eastern Cape province, South African. *Journal of Commerce*, 3(2): 17 – 22.
17. Mcfarland, D. (2011). *Human Capital Management*, London: people management, p.127.
18. Milkovich, G. T. (2012). *Compensation*. (6th Ed.) New York: McGraw Hill, p.149.
19. Milman, A. (2013). Hourly employee retention in small and medium attraction: The Central Florida example. *International Journal of Hospitality Management*, 22(2): 17 – 31.
20. Naukrihub, E. (2009). Payroll system and compensation management. *Journal of Managements*, 5(2): 16 – 23.
21. Odendaal, W. (2010). Staff retention in an information management environment. Dissertation submitted in fulfilment of the requirements for the degree of Master, Business Administration in the Faculty of Management Sciences, Vaal University of Technology, p.69.
22. Ojo, F. (2011). *Personnel management: Theories and issues*. Lagos Panaf Publishing Inc. p.139.
23. Osibanjo, A. O., Abiodun, A. J., and Fadugba, A. O. (2012). Executive perception of the impact of flexitime on organizational performance: evidence from the Nigeria Private Sector. *International Journal of Applied Behavioural Economics, IJABE*, 1(3), 16 – 27.
24. Robbins, S. P. (2013). *Organizational behaviour: Concept, controversies and applications*. (10th Ed.). New Jersey: Prentice Hall, p112.
25. Rowman, S. P. (2006). *Human resources management in the public service: Paradoxes, processes and problems*, London, Saga Publications, p.168.
26. Shastri, C. G. (2009). *Organizational bahaviour* (4th Ed.). New York: Prentice Hall, p.209.
27. Tabachnick, B. G. Fidell, L. S. (2011). *Using Multivariate Statistics*. Boston: Pearson Education Inc., p.232
28. Tsai, C. (2015). Reward incentive compensation and organizational performance: Evidence from semiconductor industry. *Performance and Reward Conference*, Manchester U. K., p.529.
29. Ungson, F., and Steers, B. (2012). A study of relationship between satisfaction with compensation and work motivation. *International Journal of Business and Social Science*, 2(1): 65 – 74.
30. Vroom, V. (1964). *Work and Motivation*. New York: Jon Wiley and Sons, p.224.
31. Wambugu and Ombui (2013). Effects of reward strategies on employee retention at Kabete Technical Training Institute, Nairobi. *Journal of Management and Marketing Research*, 7(2): 11 – 18.

How to cite this article: Samuel Victor Akpan ET AL. Compensation Management and Employee Retention in Microfinance Banks in Akwa Ibom State Research Review. 2022;656–667. <https://doi.org/10.52868/RR/2022-3-2-1>