

# Employee Compensation and Performance of Workers in First Bank Plc. Uyo, Akwa Ibom State

**Ebito Inemesit Nya**

Department of Business Management,  
Faculty of Management Sciences University of Uyo, Uyo Nigeria  
mrsebito8@gmail.com

**Obialor, Donatus Chukwuemeka**

Department of Business Management,  
Faculty of Management Sciences, University of Uyo, Uyo Nigeria  
chukwuemekadobialor@uniuyo.edu.ng

DOI: 10.56201/ijefm.v9.no5.2024.pg44.52

---

## **Abstract**

*Understanding the importance of compensation is crucial for both employers and employees. This research was carried out to ascertain the influence of Employee Compensation on the Performance of Workers in First Bank Nigeria Plc, Uyo, Akwa Ibom State. Cross sectional research design was employed on a population comprised of 700 employees of First Bank Plc, Uyo. A sample size of 255 was determined using Taro Yamane formula. Simple regression and post regression diagnostics test analysis was used to test the formulated hypotheses. Result shows that recognition has a significant positive effect on employees' performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State. It was recommended that banks should adopt cash bonus strategy as a way of motivating workers to spur them to increase their sales volume and meet with their targets always. It was concluded that periodical and regular allocation of fringe benefits for deserving workers tend to motivate workers to put in more efforts.*

**Keywords:** *Employee, Compensation, Performance, Recognition, Benefits, Bonuses.*

---

## **1. Introduction**

Compensation plays a crucial role in motivating employees to perform at their best. When employees feel that they are fairly compensated for their efforts, they are more likely to be engaged and committed to their work. Compensation is the glue that binds the employee and the employer together in the organized sector. Organizations require the services of employees to carry out their operations as they remain the organization's key resource that could 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, thus, the need to retain employees especially the productive 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 (Akpan et al, 2022).

The above statement implies that without compensation in any industry or organization, there may not be any form of relationship or connection between an employer and his employees, thus, compensation is what keeps the employer working for his/her employer. It is a form of contract or a mutually binding legal document that spells out exactly how much should be paid to the employee and the components of the compensation package. (Barton, 2017).

Compensation is the total remuneration an employee receives in exchange for the work and service they render. The term refers to an employee's base salary, as well as any other additional payments and benefits such as bonuses, paid vacations, flexible work, and health insurance. Compensation refers to pay for both employees and independent contractors such as freelancers (Akpan et al, 2022). Organizational success is often tied to workers performance in most organizations. The success of the organization for which a worker is employed is likely dependent on the performance of the worker. To achieve a desired workers performance, managers of the organization must conduct employee/workers performance appraisals, implement training and development programs, and decide when to promote and reassign employees (Folola et al,2014)

Employee Compensation is defined as the monetary or non-monetary payment given to an individual in exchange for their services (Barton, 2017). 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 such as recognition, bonuses, and fringe benefits. In workplaces, compensation is what is earned by employees and includes salary or wages in addition to commission and any incentives or perks that come with the given employee's position (Barton, 2017).

Recognition is the act of showing appreciation and acknowledgement for employees contributions to the business that links to the company's purpose (Robbins, 2013). Recognition in an organization comes in different forms ranging from promotions, awarding of different certifications etc. Bonuses are financial rewards that is given to employees of an organization beyond their normal salary or wages. It can be given as an incentive to encourage good behavior or to reward good performance. Fringe benefits are perks similar to bonuses. They are benefits received in addition to the normal benefits of holding a job, or by extension, any relationship to the source of the benefit. Key factors that determine employee motivation are satisfaction, recognition, appreciation, inspiration, and compensation (Siemsen et al, 2017).

Workers' performance is basically how well a staff or employee of an organization executes their job duties and responsibilities. Many companies assess the performance of their workers on annual or quarterly basis to define certain areas that need improvement and to encourage further success in areas that are meeting or exceeding expectations. Worker's performance can be measured in different ways, but for the purpose of this research, to assess the performance of workers in First Bank Nigeria Plc, Uyo, Akwa Ibom State, recognition, bonuses, and fringe benefits served as predicting variables.

## **1.2 Statement of the Research Problem**

Employee compensation has been one of the major policies used in motivating employees in banking industry. Compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issues of compensation for their employees. The management of First Bank have played an important role in the growth of Nigerian economy through financial intermediation yet the 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. Hence the need to compensate employees especially, the productive and competent ones with motivating compensation packages.

Various aspects of compensation management could help in the enhancement of workers performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State. These aspects of compensation management include recognition for deserving workers, addition of bonuses to boost morale and encourage workers to put in more effort and regularly offering fringe benefits to workers. The challenge before this study is therefore, to assess the effect of employee compensation on performance of workers in First Bank Nigeria Plc, Uyo, Akwa Ibom State.

### **1.3 Objective of the Study**

The main objective of this study is to determine the effect of employee compensation on performance of workers in First Bank Nigeria Plc, Uyo, Akwa Ibom State.

The specific objectives of the study are to:

- i. ascertain the influence of recognition on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State.
- ii. assess the effect of bonuses on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State.
- iii. examine the influence of fringe benefit on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State.

### **1.4 Research Question**

- i. What is the influence of recognition on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State?
- ii. What is the effect of bonuses on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State?
- iii. What is the influence of fringe benefit on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State?

### **1.5 Research hypotheses**

The following null hypotheses were formulated to guide the study.

- H<sub>01</sub>: There is no significant influence of recognition on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State.
- H<sub>02</sub>: There is no significant effect of bonuses on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State.
- H<sub>03</sub>: There is no significant influence of fringe benefit on employee performance in First Bank Nigeria Plc, Uyo, Akwa Ibom State.

## **2. Review of Related Literature**

### **2.1 Conceptual Review**

#### **2.1.1 Employee Compensation**

Compensation is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary rewards to employees. It refers to all the provided tangible and intangible rewards an employee receives from the employer as part of the employment relationship (Bowman, 2013). Steven, Guy et al, (2019) defined compensation as systematic approach to providing monetary value to employees in exchange for work performed. 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.

Compensation may achieve several purposes like assisting in recruitment, job performance, and job satisfaction. It can be said that compensation is the “glue” that binds the employee and the employer together in the organized sector, which is further codified in the form of a contract or a mutually binding legal document that spells out exactly how much should be paid to the employee and the components of the compensation package. Rewards and benefits are also type of compensation program that are important for employees (McNamara, 2016).

## **2.1.2 Variables of Employee compensation**

### **2.1.2.1 Recognition**

Recognition as a variable of employee compensation refers to acknowledging and rewarding employees for their contributions, achievements, and exemplary performance within the organization. While recognition is not a direct financial reward, it is a crucial non-monetary component of compensation that can significantly impact employee motivation, engagement, and job satisfaction, it also plays a crucial role in motivating and retaining employees. Recognition acknowledges not only individual achievements but also reinforces the desired behaviors and values of the organization. It fosters a positive work environment, strengthens employee loyalty, and can contribute to increased productivity (Barton, 2017)

### **2.1.2.2 Bonuses**

Bonuses are variable components of employee compensation that goes beyond the fixed base salary. They are typically discretionary payments made to employees in addition to their regular salary and are often linked to individual, team, or organizational performance. Performance-Based Bonuses are often tied to the achievement of specific performance metrics or goals. This can include meeting sales targets, achieving project milestones, or contributing to the overall success of the organization. Discretionary bonuses are formulaic and directly tied to measurable outcomes, others may be discretionary. This means that employers have the flexibility to determine bonus amounts based on factors like exceptional effort, creativity, or other contributions. Bonuses serve as a motivational tool to encourage employees to strive for higher levels of performance (Akpan et al, 2022). The prospect of earning additional income can boost morale and commitment to achieving organizational objectives. Employers may also use bonuses as part of their retention strategy to reward and retain top-performing employees. It can create a sense of loyalty and incentivize employees to stay with the organization (Amstrong, 2012).

### **2.1.2.3 Fringe Benefits**

Fringe benefits, also known as perks or supplementary benefits, are a category of employee compensation that goes beyond the employee's base salary or wages. These benefits are provided in addition to monetary compensation and aim to enhance the overall well-being, job satisfaction, and work-life balance of employees. Fringe benefits can take various forms and may differ across organizations, but they generally contribute to a more comprehensive compensation package (Akpan et al, 2022).

The main objectives of the compensation function are to create a system of rewards that is equitable and acceptable to both parties in employment relationship. The resultant outcome of compensation is an employee who is attracted to the work and motivated to do a good job for the employer.

#### 2.1.2.4 Workers Performance

Job performance which means work performance or actual achievement by someone. Definition of work performance is the work quality and quantity by an employee in carrying out his function in accordance with the responsibilities given to him. Performance is the result or level of success of a person during a certain period in carrying out tasks compared to various possibilities, such as work standards, targets or predetermined criteria that have been mutually agreed upon. Furthermore, Performance is basically what employees do or do not do. Performance management is the entire activity carried out to improve the performance of a company or organization, including the performance of each individual and work group in the company (Robbins, 2013). Worker's performance is an action of what employees do in carrying out the work done by the company. Performance in carrying out its functions is not independent, but always relates to employee job satisfaction and the level of reward given, and influenced by individual skills, abilities, and traits (Ojo, 2011).

### 2.2 Theoretical Review

#### 2.2.1 Vroom's Expectancy Theory

Vroom's Expectancy Theory, proposed by Victor Vroom in 1964, is a motivation theory that focuses on the relationship between individual effort, performance, and outcomes. The theory suggests that individuals are motivated to act in a certain way based on their expectations of the outcomes of that behavior and the desirability of those outcomes. In practical terms, this means that individuals are more likely to be motivated to exert effort if they believe that their effort will lead to successful performance.

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 Vroom, what 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.

In the context of employee compensation and workers performance in First Bank Nigeria Plc, Vroom's Expectancy Theory can be applied to understand how individuals make decisions related to their work effort, performance, and the rewards they receive.

### 2.3 Empirical Review

McNamara (2016) carried out research on the "impact of reward and recognition programs on employee motivation and satisfaction". The researcher adopted the exploratory research design

on a sample size of 80 workers of Unilever companies and used the questionnaire for data collection. Pearson’s correlation was used to analyze data to determine the degree of relationship between reward and satisfaction and motivation. Major findings indicated a positive relationship between rewards and work satisfaction as well as motivation. The researchers recommended that further studies can be done on ‘impact of reward and recognition on motivation and satisfaction for diverse groups of people’ example gender, race, and disability. The researchers concluded that for organizations to get the best out of their workers, they have to come up with good and proper compensation models.

### 3. Methodology

The cross-sectional research design method was employed and used the Taro Yamane formula to determine a sample size of Two Hundred and Fifty-Five (255) on a population of 700 staff of the selected First Bank Plc branches in Uyo, Akwa Ibom State. Simple regression analysis was used for data analysis.

#### Test of Hypotheses

##### Hypothesis One

**H0<sub>1</sub>: Recognition have no significant influence on employees’ Performance of First Bank Plc Uyo, Akwa Ibom State.**

**Table 1: Recognition and workers’ Performance**

Source	ss	df	MS			
Model	79.8129431	2	79.8129431	Number of obs	=	253
Residual	109.201581	251	.435811306	F( 1, 251)	=	183.14
Total	189.201581	253	.750799925	Prob > F	=	0.0000
				R-squared	=	0.4218
				Adj R-squared	=	0.4195
				Root MSE	=	.66016
Wkpef	Coef.	Std. Err.	t	p> t	[95% Conf. Interval]	
Rec	.5878166	.0434365	13.53	0.000	.5022702	.6733629
_cons	1.861875	.1721288	10.82	0.000	1.522875	2.200876

##### Source: Researcher’s computation

The regression result in table 1 showed that recognition has a significant influence on workers’ performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State. (Coef. = 0.587, p = 0.000). The p-value = 0.00 at 1% level of significance for recognition, hence we reject the null hypothesis and accept the alternative hypothesis which states that recognition has a significant influence on employees’ performance in selected First Bank branches in Uyo, Akwa Ibom State (Coef. = 0.587, p < 0.05).

##### Hypothesis Two

**H0<sub>2</sub>: Bonuses have no significant positive effect on workers’ performance of First Bank Plc Uyo, Akwa Ibom State.**

**Table 2: Bonuses and workers' Performance**

Source	ss	df	MS	Number of obs = 253		
Model	76.0314666	2	76.0314666	F( 1, 251)	= 168.63	
Residual	113.170114	251	.45087695	Prob > F	= 0.0000	
Total	189.201581	253	.750799925	R-squared	= 0.4019	
				Adj R-squared	= 0.3995	
				Root MSE	= .67147	
Wkpef	Coef.	Std. Err.	t	p> t	[95% Conf. Interval]	
Bon	.609833	.0469616	12.99	0.000	.5173439	.702322
_cons	1.75551	.1871026	9.38	0.000	1.387019	2.124001

**Source: Researcher's computation**

The regression result in table 2 showed bonuses have a significant positive effect on workers' performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State (Coef. = 0.609, p = 0.00). The p-value = 0.00 at 1% level of significance for Bonuses, hence we reject the null hypothesis and accept the alternative, which state that Bonuses have a significant positive effect on workers' performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State (Coef. = 0. 0.609, p = 0.00 < 0.05).

### Hypothesis Three

**H0<sub>3</sub>: Fringe benefits have no significant positive influence on employees performance of First Bank Plc. Uyo, Akwa Ibom State.**

**Table 3: Fringe benefits and workers' Performance**

Source	ss	df	MS	Number of obs = 253		
Model	4.37146668	2	4.37146668	F( 1, 251)	= 5.94	
Residual	184.830114	251	.736374958	Prob > F	= 0.0155	
Total	189.201581	253	.750799925	R-squared	= 0.0231	
				Adj R-squared	= 0.0192	
				Root MSE	= .85812	
Wkpef	Coef.	Std. Err.	t	p> t	[95% Conf. Interval]	
Cop	.1229961	.0504809	2.44	0.016	.0235759	.2224163
_cons	3.696176	.183115	20.18	0.000	3.335538	4.056813

**Source: Researcher's computation**

The regression result of output in table 3 showed that fringe benefits have a significant influence on workers' performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State (Coef. = 0.122, p = 0.01). The pvalue 0.01 at 5% level of significance for fringe benefits, hence we reject the null hypothesis and accept the alternative, which state that fringe benefits have a significant influence on workers' performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State (Coef. = 0.112, p < 0.05).

## 4. Results and Discussion of Findings

Recognition has a significant influence on workers' performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State (Coef. = 0.587, p = 0.000). The test of hypothesis shows that recognition has a significant influence on workers' performance in selected First Bank Nigeria Plc branches in Uyo, Akwa Ibom State. The regression result output in table 2 showed that bonuses have a significant effect on workers' performance (Coef. = 0.609, p = 0.000). The p-

value 0.000 at 1% level of significance for Bonuses are less than 0.05, hence we reject the null hypothesis and accept the alternative, implying that there is significant relationship between bonuses and workers' performance.

Fringe benefits have a significant influence on workers performance as shown in the regression result of output in table 3 (Coef. = 0.122,  $p = 0.01$ ). The  $p$ -value 0.01 at 5% level of significance for fringe benefits, hence we reject the null hypothesis and accept the alternate, which states that fringe benefits have a significant influence on workers performance of First Bank Plc. Uyo, Akwa Ibom State.

## 5. Conclusion

The purpose of the study was to ascertain the effect of employee compensation on workers performance in First bank branches in Uyo, Akwa Ibom State. The study concludes that recognition has a significant positive influence on workers performance in the banking sector. The implication is that employees will work and perform better in order to be recognized in their institution. Bonuses have a significant positive effect on workers' performance. Organizations should reward employees more often through bonuses and allowances. This is because frequent bonuses are easily linked to job satisfaction and workers' performance. Bonuses are rewards that organizations use to compensate employees for exemplary performance when they have performed higher or exceed their set targets which makes them eligible to perform more and achieve their objectives. Consequently, the need to provide bonuses to worker's to ensure motivation for an optimum performance in the banking sector.

This study also concludes that fringe benefits have a significant positive influence on workers performance. Fringe benefits can have a significant financial, health and work-life balance advantages for workers, which can help boost job satisfaction, and promote a healthy and productive work environment. However, it is important to note that the range and availability of fringe benefits can vary depending on factors such as the size of the employer, industry norms, and local regulations.

## 6. Recommendations

Based on the findings, the study recommends as follows:

- i. Management should formulate compensation management policies that will enable them to attract and retain best hands to help drive their operations.
- ii. Firms should adopt cash bonus strategy as a way of motivating workers' so as to spur them to increase their work efforts.
- iii. The management of First Bank should improve more in terms of payment of competitive salaries, performance bonus and fringe benefits.

## References

- Akpan. S. V, Ayandele I. A & Obialor D. C. (2022). *Compensation Management and Employee Retention in Microfinance Banks in Akwa Ibom State*. Research Review Journal.
- Armstrong. M. (2012). *Human resource management practice*. (9th ed.) Kopan Page Limited.
- Banjoko. S. (2010). *Human resource management: An expository approach*. Pumark Nigeria Limited.
- Barton. B. A. (2017). *Firm Performance and Compensation Structure: Performance Elasticities of Average Employee Compensation*. Journal of Corporate Finance.
- Bowman. T. (2013). *Human resource management*. MacMillan Pub.com.
- 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).
- McNamara. C. (2016). *Employee benefits and compensation: Basics about employee motivation: Nuts-and-bolts guide to leadership and supervision in business*. Minnesota: Authenticity Consulting LLC.
- Ojo. F. (2011). *Personnel management: Theories and issues*. Panaf Publishing Inc.
- Robbins. S. P. (2013). *Organizational behaviour: Concept, controversies and applications*. (10th Ed.). Prentice Hall.
- Siemsen. E, Balasubramanian. S. & Roth. A.V. (2017). *Incentives that induce Task-related Effort, Helping and Knowledge Sharing in Workgroups*. Management Science.
- Steven. B, Guy. D. F. & Arindam. T. (2019). *The impact of firm strategy on performance measures used in executive compensation*. Journal of Business Research.
- Vroom. V. (1964). *Work and Motivation*. Jon Wiley and Sons.