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The Effect of Financial and Non-Financial Compensation towards Employee Job Satisfaction

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ABSTRACT– The main purpose of the study was to examine the effect of financial and non-financial compensation towards employee job satisfaction with their education, working department. To produce numeric analysis and testing hypothesis, the researchers used ANOVA Test to measure education level, job position and, working departments with employees' job satisfaction. The Ordinary Least Square (OLS) Method was used to measure the effect of financial and non-financial compensation towards employees' job satisfaction. The analysis was performed through SPSS 26. The testing included 150 respondents of assistant, officer and, managerial level from administration, operation and, credit departments of commercial banks from Maharajgung to Balaju Ringroad Kathmandu. The main research findings revealed that financial and non-financial compensation had a significant effect on employee job satisfaction. The finding also shows that the job satisfaction is significantly depends on their current education, job position and, working department too. Similarly, the impact of financial compensation towards job satisfaction was higher than that of non-financial compensation in employees' job satisfaction. The financial and non-financial compensation had positive impact on employees' job satisfaction.

KEYWORDS– Compensation, Job Satisfaction & Performance, Financial and Non-financial Compensation

1. INTRODUCTION

Employees are considered as a major resources of any organization. It has become more complex to manage human resources in organization. Compensation could be one major factor to manage employee in organization. Compensation is the organized way to pay back in monetary or non-monetary terms to an employee on their work. Compensation is the output and the benefit that employee receive in the form of pay, wages and some rewards like monetary exchange for the employee to increase the performance (Holt, 1993). Performance-enhancing compensation practices are designed to increase employee productivity through greater accountability, while highlighting performance differentials across employees (Samnani & Singh, 2014). According to Wilson (1994), the process of performance management is one among the key elements of total reward system.

According to Andrew (2007), commitment of all employees is based on rewards and recognition.

In an organization, manager may do bias which create unfair compensation among employees (Feraro-Banta & Shaikh, 2017). In bank compensation is paid as per their level along with their work too. According to Schuler and Jackson, (1996; as cited in Ibrar, & Khan, 2015) the connection and relationship between rewards, motivation and job satisfaction of employees have much significance to success. It can be discussed with the following pertinent research questions.

i. What is the level of job performance?
ii. What is the level of compensation?
iii. What is the relationship of the compensation towards employee performance?
iv. How the compensation affect the employee performance?

The general objective of the study was to identify the role of compensation on employees' job performance. It can be further explained as to,

i. examine the level of job performance
ii. evaluate the level of compensation
iii. examine the relationship of the compensation towards employees' job performance
iv. determine the effect of compensation towards employees' job performance

2. LITERATURE REVIEW

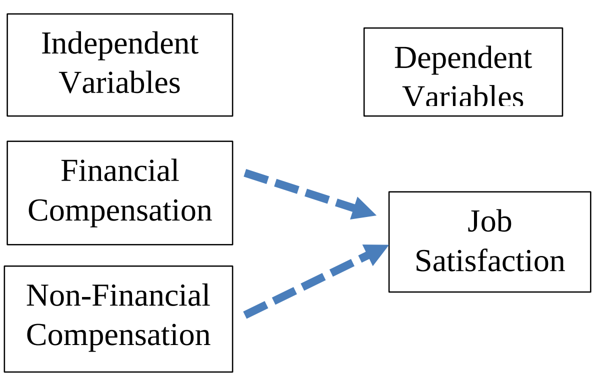
According to Holt (1993), compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee's to increases the Performance. Wibowo (2016) defines compensation as what workers receive in exchange for their contribution to the organization. According Hasibuan (2012), compensation is all income in the form of money, goods directly or indirectly received by employees in return for services provided to the company. Generally, compensation is the return towards the work (Millmore, et al. 2007). According to (Ojo, 1997), there are three components of employees' compensation in an organization which are the basic pays, fringe benefits and performance incentives or bonus. The basic pay is the basic wage paid as salary; fringe benefits are supplementary compensation awarded to employees over and above the basic wage or salary. Such benefit covers a wide range of rewards which provides security, remuneration and various services for employees. Remuneration is taken as the crucial factors for job satisfaction. According to Sutrisno (2009), states that compensation consists of two parts and they are financial compensation is the compensation that is directly submitted by the company to its employees in the form of wages or bonuses, and non-financial compensation is a compensation that employees can not directly perceive.

Employee's satisfaction also job satisfaction results in pleasant environment in an organization (Khan et al., 2011). According to Hackman and Oldham (1980) job satisfaction is a multifaceted phenomenon that consists of factor such as supervision at work, work itself, compensation and benefits, promotion policies of organization, appraisal and coworkers' attitude. People are much concern about pay and leadership behavior. Nahar et al (2008) found that the success of any organization greatly depends on its qualified, efficient, and dedicated workforce. It is necessary to identify the level of satisfaction among the employees in organization with the organizational facilities, policy and, other organizational factors affecting on their performance. It was found that the most important factors are compensation in job satisfaction.

3. MATERIALS AND METHODS

3.1 Research outlines

The general components of the research are interlinked to each other as shown in the following flow chart.



3.2 Hypotheses

This research work was actually initiated with the following hypotheses:

H_1: Significant relation between any group of Education with Financial Compensation, Non-Financial Compensation and Job Satisfaction

H_2: Significant relation between any group of Job Position with Financial Compensation, Non-Financial Compensation and Job Satisfaction

H_3: Significant relation between any group of departments with Financial Compensation, Non-Financial Compensation and Job Satisfaction

H_4: Significant relation between financial compensation, nonfinancial compensation with job satisfaction

3.3 Research design

The causal comparative research design will be used to see the relationship between the compensation and job satisfaction. It will explain the causation effect of financial and non-financial compensation on job satisfaction.

3.4 Sampling design

As a population, all branches of Commercial banks from Maharajgung to Balaju in the side of Ringroad. There were all together 283 employees and sample of 150 employees were taken as sample judgmentally. The data were collected in cross-sectional time horizon. The survey questionnaire were filled by asking question to respondents.

4. RESULTS AND DISCUSSIONS

4.1 Demographic Profile

The gender, marital status, education level, designation and, departments were taken as demographic profile of respondents.

Table 1. Demographic profile of the respondents

	Frequency	**Percent**
Gender		
Male	53.0	35.3
Female	97.0	64.7

Marital Status		
Single	71.0	47.3
Married	79.0	52.7
Education Level		
Intermediate	5.0	3.3
Bachelor	25.0	16.7
Master	120.0	80.0
Designation		
Assistant	81.0	54.0
Officer	60.0	40.0
Manager	9.0	6.0
Department		
Administration	45.0	30.0
Credit	62.0	41.3
Operation	43.0	28.7
Total	150.0	100.0

It was found that, out of 150 respondents, 64.7 percent were female and 35.3 percent were male. It interprets that the female employees were higher than male in banking sector. There were 52.7 percent were married and 47.3 percent were single in their marital status. It can be interpreted that married employees were higher than of single employee. It can be because working people normally after their Bachelor degree which was eligible for marriage. There were 80.0 percent of respondents had minimum of Master degree, 16.7 percent had Bachelor degree only and 3.3 percent were intermediate and less than it. It shows that banking employee were educated employee with higher percentage of master degree. This could be because that banking industry needs educated people as employee. There were 54.0 percent employees were from assistant level which include junior assistant, assistant and, senior assistant. Similarly, 40.0 percent were from officer level including junior office, officer and, senior officer. The managerial employees were less in number which were only 6.0 percent. It could be because employee join assistant level as entry level and get promoted to officer and manager, the manger percent was low as it is accepted as a relatively higher level position in any organizations.

4.2 Reliability test of financial & non-financial compensation and job satisfaction scale

The reliability test was performed on scale of compensation, non-financial compensation and, job satisfaction was found 0.802, 0.8057 and, 0.866 respectively and found to be reliable.

4.3 Significant test between Education with Financial Compensation, Non-Financial Compensation and Job Satisfaction

The one way ANOVA test was performed to analyze the significant test between education and financial compensation, non-financial compensation and job satisfaction.

Table 2. An ANOVA Test

Variables	F-Statistics	Significant Value
Financial Compensation	7.593	0.001

Non-Financial Compensation	10.732	0.000
Job Satisfaction	4.607	0.011

It shows that, there was significant relationship between any one groups of education of respondents i.e. intermediate, bachelor and master degree with financial compensation, non-financial compensation and, job satisfaction. This shows that the respondents with their current education level plays important role in the job satisfaction along with all the financial and non-financial compensation they are getting through.

4.4 Significant test between Job Position with Financial Compensation, Non-Financial Compensation and Job Satisfaction

The one way ANOVA test was performed to analyze the significant test between any one groups of current job position with financial, non-financial compensation and, job satisfaction.

Table 3. An ANOVA Test

Variables	F-Statistics	Significant Value
Financial Compensation	7.593	0.036
Non-Financial Compensation	10.732	0.001
Job Satisfaction	4.607	0.004

It shows that, there was significant relationship between any one group of current job position of respondents i.e. assistant, officer and, manager with financial, non-financial compensation and job satisfaction. This shows that whatever the compensation employees are getting with respect to their current job position plays vital role in their job satisfaction.

4.5 Significant test between departments with Financial Compensation, Non-Financial Compensation and Job Satisfaction

The one way ANOVA test was performed to analyze the significant test between any one groups of working department with financial, non-financial compensation and, job satisfaction.

Table 4. An ANOVA Test

Variables	F-Statistics	Significant Value
Financial Compensation	7.593	0.008
Non-Financial Compensation	10.732	0.000
Job Satisfaction	4.607	0.000

It shows that, there was significant relationship between any one group of current working departments of respondents i.e. administration, credit and, operation with financial, non-financial compensation and job satisfaction. This shows that whatever the compensation employees are getting with respect to their current working departments plays vital role in their job satisfaction.

4.6 Estimation coefficient and p-value for the independent variables used in the job satisfaction analysis

The Ordinary Least Square (OLS) was performed to measure the effect of financial and nonfinancial compensation towards job satisfaction.

Table 5. OLS performance

Variables	Estimated Coefficients	Standardized Coefficients	Significant Value	VIF
Intercept	1.403	5.44	0.000	
Financial Compensation	0.371	4.344	0.000	1.444
Non-Financial Compensation	0.288	3.571	0.000	1.444
R-Square	0.324			
Adjusted R Square	0.315			
F Statistics	35.251		0.000	

It was found that the coefficient of intercept was 1.403 with significant value 0.000. It indicates that the intercept is significant at 5 percent of significance level. Similarly, the coefficient of financial compensation was 0.371 with significant value 0.000. It indicates that one unit increase in amount of financial compensation, the job satisfaction increased by 0.371 units. Likely, the coefficient of non-financial compensation was 0.288 with significant value 0.000. It implies that one unit increase in amount of non-financial compensation, the job satisfaction increased by 0.288 units. The value of adjusted R square was 0.315 which means that the total 31.5 percent of variation of job satisfaction can be explained by financial and non-financial compensation. The Value of F-Statistics was 35.251 with significant value 0.000, which means the model was significant. The standardized coefficient of financial compensation was higher than standardized coefficient of non-financial compensation which means the impact of financial compensation was more than non-financial compensation in job satisfaction. The multicollinearity test was performed and the VIF of financial and non-financial compensation was 1.444 each and less than 10. This shows that there was no multicollinearity among the financial and non-financial compensations.

5. CONCLUSION

The compensation plays vital role in the job satisfaction of an employee. Job satisfaction has a significant role with the education level of employee of banks. Similarly, there was significant effect of current working department with the job satisfaction of employees. Likely, the current job position has significant effect on job satisfaction of employees. The financial and non-financial compensation has direct effect on job satisfaction where financial compensation has higher impact than non-financial compensation in job satisfaction.

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