

Measuring the Employees' Satisfaction on Reward System - in Case of Development Bank of Ethiopia

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Abstract: The purpose of this paper is to Measure Employee Satisfaction on Reward System Development Bank of Ethiopia. The objective of the research is to investigate the relationship between reward system practice (independent variable) and the employees' satisfaction (dependent variables) and also the effect of reward system practice on the employees' satisfaction in development bank of Ethiopia. The study used a quantitative correlation and regression type of research. From 753 employees at development bank of Ethiopia at head office level 255 select a sample that represents the whole population by using sample size determination formula. Stratified probability sampling technique used to select samples for the targeted employees. From each stratum respondents selected through simple random sampling method. The correlation results of this finding suggested that transparency, equity, fair distribution and consistency of reward system have positive effect on the employees' satisfaction in Development Bank of Ethiopia. The promotional practice in the bank gives low value for experience and performance (40%) and it give high value for test (60%). In the performance appraisal, the individual performance is not considered because affected by process, branch and region performance. And also reward system usually not adjusted with environmental change like inflation and profitability of the bank. Development bank of Ethiopia has problems of recognition and appreciation good workers as well as performance appraisal system of the bank did not satisfied majority of employees. Hence transparency, equity, fair distribution and consistency of reward system have highly affected the employees' satisfaction. So, the Bank have to improve and carry out effective reward system to increase employees' satisfaction.

Key Words: Employee Satisfaction, Reward System, transparency, equity, fair distribution.

1. Introduction

1.1 Background of The Study

Total reward strategy is a holistic approach aligning with business strategy and people strategy; it encompasses everything employees value in their employment relationship like compensation, benefits, development and the work environment (Kaplan, 2007).

As Armstrong and Brown (2006) emphasize: 'Resourcing and reward strategies which are heavily focused on either recruiting young "dynamic" staff and getting rid of "old" employees at a fixed retirement date or before; or the opportunistic poaching of staff with the requisite skills and experience from competitors.

Effective, fair, timely, transparent, consistent and market-driven rewards can satisfy employees. The aim of reward management is to reward people fairly, equitably and consistently in accordance with employees' contribution for organization (Micheal A. and Helen M., 2004). Michael A., (2006) stated that strategic reward is based

on a well-articulated philosophy to achieve fairness, equity and consistency in operating the reward system.

According to Khawaja Jehanzeb et al, (2012) the degree of rewards, motivation and job satisfaction of employees has a strong relationship in the banking sector of Saudi Arabia. Navid Niki, et al (2012) Decision on the implementation of effective reward systems aimed at increasing employee satisfaction.

Khan et. al, (2010) conducted a study on impact of rewards on employee motivation in Commercial Banks. The study showed a positive significant relationship between rewards and employee motivation among the employees" of commercial banks in Pakistan. According to the study findings, motivated employees are more energetic and productive on their work.

When employees expect personally valued, recognized and rewarded, they undoubtedly work harder and feel motivated to accomplish their tasks. They are likely to perform way above the level expected of their capacity. According to a

study by Matthew et. al, (2009) there is positive connection between organization effectiveness and employee motivation. Earlier, Schuler and Jackson, (1996) had already found out that the connection between rewards, recognition and motivation of employees is strategically significant to the success of an organization.

Employees are sensitive to quality variations in performance appraisal as its processes are a powerful determinant of employees’ futures such as having promotion, rewards, demotion or even termination of their job within the organization (Mayer & Davis, 1999).

1.2 Statement of the Problem

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. The aim of reward management is to reward people fairly, equitably and consistently in accordance with employees’ contribution for organization (Armstrong and Murlis, 2004). The reward management system should be designed to support the achievement of the organization’s strategies; it should be based on a philosophy of reward which matches the culture of the organization.

According to Mahlet A.(2011) study, the Tikur ambessa and Alert hospital reward system (payment, promotion, reorganization, and benefits), work content and condition which positive and significance relationship with employee work motivation/ satisfaction. Michael and Helen (2007) described total reward accountable for all the ways in which people can be rewarded and obtain satisfaction through their work.

Performance appraisal system practice in the development bank of Ethiopia determine by the process performance. The process based performance evaluation that affects the individual performance. As stated the internal memo dated July 7, 2017, the process scored 84% so the individual performance determine by the process performance this is not recognize the individual difference. As result, it is indirectly or directly affects employees’ satisfaction. Performance management is a “continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” (Agrawal, 2000).

DBE promotion system practice in the bank is 60% test and 40% performance evaluation and experience. This shows bank not give value of experience for promotion in appropriate manner and also this is not practice in the other bank. In addition give test to employees for promotion inside the organization will not appropriate and open to favoritism through relatives, friends and ethnic. By this reason, employees dissatisfied promotion system and experience employees’ separate from the bank and employed to other bank.

The salary difference between job grade 8 and job grade 9 employees are 50% and the difference between clerical and non clerical employees also high. So, the equitability of the reward system practice in the bank has under question.

Because of the above reason, the researcher makes a sound decision to conduct research on the measuring employees’ satisfaction on the reward system practice in development bank of Ethiopia.

1.3 Research Hypothesis

The following hypothesis were tested in this study

H1: There is positive linear relationship between transparency reward systems of bank and employees’ satisfaction.

H2: There is positive linear relationship between equitability reward system of the bank comparing with other competitor and employees’ satisfaction.

H3: There is positive linear association between fair distribution of reward system and employees’ satisfaction.

H4: There is positive linear relationship between consistency of reward system and employees’ satisfaction.

H5: Transparency reward system of the bank has significantly and positively affects employees’ satisfaction.

H6: Equitability reward system of the bank comparing with other competitor has significantly and positively affects employees’ satisfaction.

H7: Fair distribution of reward system of bank has significantly and positively affects employees’ satisfaction.

H8: consistency and continuity reward system of the bank has significantly and positively affects employees’ satisfaction.

1.4 Objectives of the Research

General Objective of the Study

The general objective of this study is to measuring employees’ satisfaction on the reward system of the Development Bank Ethiopia.

Specific Objectives of the Study

The specific objectives of the study are:

- To assess external equitable reward system of the bank and its impact on employees’ satisfaction in Development Bank of Ethiopia.
- To evaluate the internal equitable reward system of the bank and its impact on employees’ satisfaction in Development Bank of Ethiopia.
- To determine the consistency reward system of the bank and its impact on employees’ satisfaction in Development Bank of Ethiopia.
- To measure the transparency level reward system of the bank and its impact on employees’ satisfaction in Development Bank of Ethiopia.

1.5 Delimitation of this study

The study was conducted in Development Bank of Ethiopia only head office level. This study was bounded in employees’ satisfaction on reward system practice in development bank of Ethiopia.

2. Research design and methodology

The researcher used a quantitative research design for this study. According to Wolman and Kruger (2004), the research design describes the plan in which information is obtained from the research participants. In the plan it must be clearly illustrated how participants selected in order to get valid and reliable research results. Gronhaug and Ghauri (2005) note that quantitative designs deals with a large number of respondents and use sufficiently large numbers to allow for general stable comparisons and for conclusions to be drawn about populations.

Since the objective of the research is to investigate the relationship between reward system practice (independent variable) and the employees’ satisfaction (dependent variables) and also the effect of reward system practice on the employees’ satisfaction in development bank of Ethiopia. The researcher will use a quantitative correlation and regression type of research which is one part of a descriptive type of research as Marczyk et al. (2005).

2.1.1 Population and Sampling Techniques

Target population for a survey is the entire set of units for which the survey data are to be used to make inferences (Cox, 2010). Population refers to any complete group of potential participants relevant to the purpose of the Study (Kwaku, 2012). To conduct this research, the researcher target population is the current full time employees in development bank of Ethiopia only in head office.

2.1.2 Sampling Frame

Sample frame involved different process at development bank of Ethiopia. In this study, the sampling frame consisted of 753 staff working at development bank of Ethiopia at head office level. Stratified probability sampling technique used to select samples for the targeted employees of the development bank of Ethiopia in head office. The rationale for using stratum sampling; the study focuses on different process of bank employees’ of the respondents are required to have its own representative from the total sample size. From each stratum respondents selected through simple random sampling method.

$$\text{Formula: } n = \frac{Z^2 \cdot P \cdot Q \cdot N}{e^2(N-1) + Z^2 \cdot P \cdot Q}$$

Where, p = sample proportion, $q = 1 - p$; Z = normal reduced variable at 0.05 level of significance z is 1.96 ; N = size of population which is the number of Employees; n = size of sample.

Given: At 95% confidence level the value of $Z = 1.96$, $P =$ the population proportion (assumed to be 0.50 since this would provide the maximum sample size). $e = 0.05$ which is acceptable sample error (Kothari, 2004)

$$\text{Formula: } n = \frac{(1.96)^2 \times 0.5 \times 0.5 \times 753}{(0.05)^2} + (1.96)^2 \times 0.5 \times 0.5 = 255$$

2.2 Types of data collection

2.2.1 Data collection instrument

The researcher used closed ended questionnaire and survey questionnaire administered to collect necessary data. The sources of primary data for this research employees’ in development bank of Ethiopia. The primary data collection instruments design for this research are a five-item likert scale, strongly agree (=5), agree (=4), neither agree nor disagree (=3), disagree (=2) and strongly disagree (=1), self – administer structure questionnaire.

2.2.2 Data processing and analysis

Data Processing

The data processing procedure like editing, coding, classification, and tabulation of the collected data by used Statistical Package for Social Sciences (SPSS) version 20. The researcher edited the collected raw data to detect errors, omissions, checking that there is an answer for each question. The process of assigning numerical symbols came next which was used by the researcher to reduce responses into a limited number of categories or classes. After this, the processes of classification or arranging large volume of raw data in to classes or groups on the basis of common characteristics were applied. Data having the common characteristics was placed together and in this way the entered data were divided into a number of groups. Finally, tabulation were used to summarize the raw data and displayed in the compact form of statistical table for further analysis.

To determine the relationship of reward system practice and the employees’ satisfaction with Karl Pearson’s coefficient of correlation analysis and the effect of reward system practice on the employees’ satisfaction analyzed through multiple regression.

Data analysis

This is the further transformation of the processed data to look for patterns and relationship between and/or among data groups by using descriptive or inferential analysis.

Descriptive Analysis: The researcher used descriptive analysis to reduce the data in to a summary format by: 1) Tabulation -the data arranged in a table format. 2) Measure of central tendency – minimum and maximum values, mean and standard deviation were used for the sake of explaining independents variables and dependent variable of the sample respondents.

Inferential Analysis: According to Sekaran, (2000), “inferential statistics allow researchers to infer from the data through analysis the relationship between two variables; differences in a variable among different subgroups; and how several independent variables might explain the variance in a dependent variable.” The following inferential statistical methods are used on this research.

The Pearson Product Moment Correlation Coefficient

Cohen, R.J., and Swerdlink, M.E. (2002) posit that, the Pearson Product Moment Correlation Coefficient is a widely used statistical method for obtaining an index of the relationships between two variables when the relationships between the variables is linear and when the two variables correlated are continuous. To ascertain whether a statistically significant relationship exists between, Transparency, equity, Consistency and continuity of reward system and employees’ satisfaction, the Pearson Product Moment Correlation Coefficient was used.

2.3 Multiple Regression Analysis

Multiple regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores. Multiple regression analysis is more than one predictor jointly regressed against the criterion variable (Cohen & Swerdlik, 2002). This method is used to determine if the independent variables will explain the variance in employees’ satisfaction.

3. Results and Discussion

The respondents were asked to give information pertaining to their sex, age, educational level, experience, current job position and gross salary. The descriptive statistics of the seven variables are summarized in Table 4.1 to 4.6 and interpreting accordingly.

Table 3.1 Sex of Respondent

Sex	Male	Female	Total
Frequency	181	74	255
Percentage	71	29	100

Source: Survey (2017)

Table 3.1 shows 181 (71%) of the total respondents are male and 74 (29%) are female. This implies that the proportion of male employees is much larger than that of female employees. The result reflects that sample distribution proportionally represents population in relation to sex composition of Development Bank of Ethiopia.

Table 3.2 Age in year of respondent

Age	20-30	31-40	41-50	51-60	Total
Frequency	138	97	15	5	255
percentage	54.1	38.0	5.9	2.0	100

Source: Survey (2017)

Table 3.2 shows age of respondents and it has 138 (54.1%) of the respondents are in the range of 20-30 years, 97 (38%) are in the range of 31-40 years and 15 (5.9%) of the respondents are in the range of 41-50 and 5 (2%) of the respondents are 51-60 years. under this study consist of all age groups with majority of 20-30 years. this implies the Bank is in growing age level and hiring high numbers of fresh graduate each year.

Table 3.3 Education Level of Respondent

	HSC (12 th)	Diploma	Degree	Master	Total
Frequency	2	5	190	58	255
Percentage	5	2.0	2.0	2.8	100

Source: Survey (2017)

Table 3.3 exhibited the Educational level of respondents. It has 2 (.8 %) of the respondents are 12 completed, 5(2%) of the respondents are Diploma graduates, 190 (74.5%) of the respondents are BA degree holders and 58(22.7%) of the respondents have master degree. This implies that majority of the respondents are first degree holders

Table 3.4 Work Experience of Respondents

Work Experience	0-4	5-10	11-15	16-20	21-25	26-30	>31	Total
Frequency	107	109	22	8	3	4	2	255
Percentage	42.0	42.7	8.6	3.1	1.2	1.6	0.8	100

Source: Survey (2017)

Table 3.4 presented total experience of respondents, 107(42%) of the respondents experience ranges between 0-4 year, 109 (42.7%) of the respondents has 5-10 years, 22 (8.6%) of the respondents has 11–15 year, 8(3.1%) of respondents experience ranges between 16-20 year, 3(1.2%) of the respondents experience ranges between 21-25 year, 4(1.6%) of the respondents experience ranges between 26-30 years and 2(.8%) of the respondents experience 31 year and above years of experiences. From these, it can understand that most of the respondents are range between 0-4 and 5-10 years of experience respectively.

Table 3.5 Current Position of Respondent

Current Position	Managerial	Clerical	Non-Clerical	Total
Frequency	14	218	23	255
Percent	5.5	85.5	9.0	100

Source: Survey (2017)

Table 3.5 shown the level of respondents and it has 14(5.5%) Managerial position, 218 (85.5%) of the respondents has Clerical employees and the remaining 23 (9%) has non-clericals position. It can be understand that most of the respondents are in non-clerical position.

Table 3.6 Gross Salary of Respondent

Gross Salary	995 - 2000	2001 - 4000	4001 - 8000	8001 - 12000	12001 - 18000	18001 - 26000	Total
Frequency	1	33	22	155	43	1	255
Percentage	0.4	12.9	8.6	60.8	16.9	0.4	100

Source: Survey (2017)

Table 3.6 shows gross salary of respondents and it has 1(4%) of the respondent earning between 995 – 2,000 ETB monthly salary, 33(12.9%) of the respondent earning between 2,001 – 4,000 ETB monthly salary, 22(8.6%) of the

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respondent earning between 4,001 – 8,000 ETB monthly salary, 155(60.8%) of the respondent earning between 8,001 – 12,000 ETB monthly salary, 43(16.9%) of the respondent earning between 12,001- 18,000 ETB monthly salary, 1(4%) of the respondent earning between 18,000 – 26,000 ETB monthly salary. This implies that majority of employees’ salary scale line up 8000 – 12000 ETB.

3.3 Measures of central tendency and dispersion of the respondents

This part explains the descriptive statistics calculated on the basis of the variables included in the transparency of reward system, equitable reward system, fair distribution of reward system, consistency and continuity of reward system and employees’ satisfaction of the Bank. The measures of central tendency and dispersion of variables obtained from the sample respondents. Likert scale was used to measure factors of employee satisfaction level of Development Bank of Ethiopia. Five point scales were used to measure level of agreement to each facet both in independent and dependent variables.

Here mean and frequency has calculated to determine the **level of agreement of respondents to each question**. With five point scales, the intervals for breaking the range in measuring each variable are calculated as follows.

$(\text{Max} - \text{min})/5 = (5-1)/5 = 0.8 = \text{agreement level}$

The translation of level ranking is analyzed based on the following criteria designed by Best (1977: 174) as cited by (Melese, A, 2013):

Agreement level 1.00 – 1.80 means strongly disagree, Agreement level 1.81 – 2.60 means disagree, Agreement level 2.61 – 3.40 means neutral, Agreement level 3.41 – 4.20 means agree and Agreement level 4.21 – 5.00 means strongly agree

As it is indicated the analysis for respondent’s level of agreement to each statements were made accordingly.

3.4 Transparency Reward System of the Bank Data presentation & Interpretation

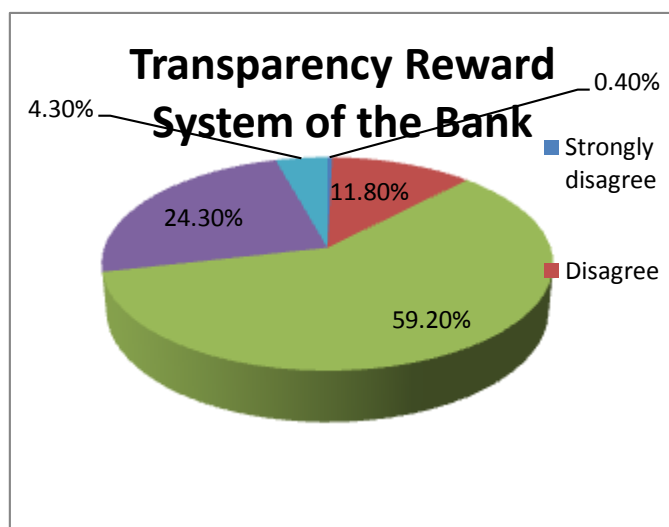


Figure: 3.1 Transparency Reward System of the Bank

Figure 3.1 depicts the respondents on listed items survey transparency reward system of the bank 59.2% of the respondents neither agreed nor disagreed, 24.3% agreed, 4.3% strongly agreed, 11.8% disagreed and 0.4% strongly disagreed. Majority of respondents neither agreed nor disagreed and also disagree. This means that, majority of employees’ have not clear information about the bank reward system.

3.5 Equitability Reward System of the Bank comparing with other Competitors data

Presentation & Interpretation.

Equitability Reward System of the Bank comparing with other Competitors shown in the Table 3.7 the bank’s total reward package is competitive with labor market 54 % respondents agreed, 22% of respondents disagreed and the remaining respondents have neither agree nor disagree concerning the question and the mean value is 3.42. Majority of respondents agree with the issue is above 50% and mean value is above 3.4. It shows that, the Development Bank of Ethiopia’s total reward package preferable and competitive with labor market. Salary scale, transport allowance, medical coverage, equally treated male and female, but there is a gaps between the manager and non managerial employee, the bank is preferable to employees when compare with other competitors.

3.6 Fair Distribution Reward system of the Bank

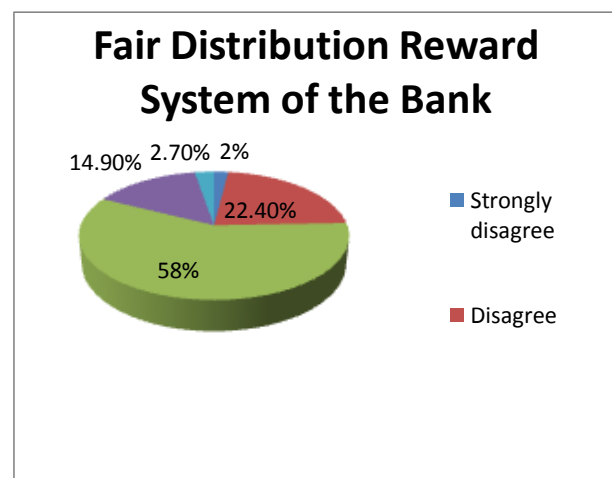


Figure 3.2 Fair Distribution Reward System of the Bank

Figure 3.2 depicts the respondents on fair distribution reward system of the bank. It has 58% of the respondents neither agreed nor disagreed, 14.9% agreed, 2% strongly agreed, 22.4% disagreed and 2.7% strongly disagreed. Majority of respondents neither agreed nor disagreed and disagree. This means that, employees’ have not satisfied on the bank reward distribution system among the employees, top level managers and operational managers.

4.7 Consistency and Continuity of Reward System of the Bank

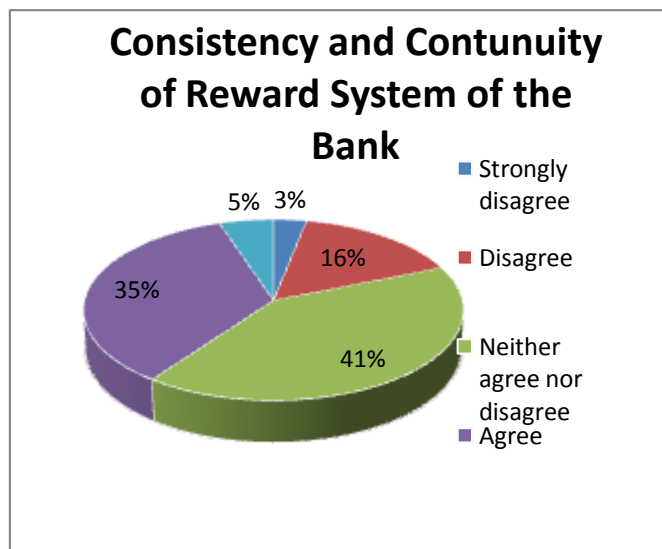


Figure 3.3 Consistency and Continuity of Reward System of the Bank

The above Figure 4.4 shows that, generally the employees’ respondents on listed item questionnaire 41% of the respondents neither agreed nor disagreed, 35.9% agreed, 5% strongly agreed, 16% disagreed and .3% strongly disagreed. Majority of respondents neither agreed nor disagreed this means that, the bank’ has problems regarding in the implementation of reward system among the employees in Development Bank of Ethiopia.

3.8 Employees’ Satisfaction on the Bank Reward System

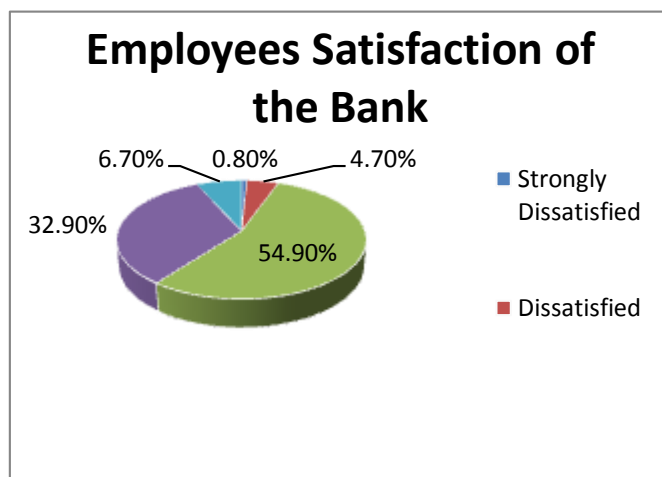


Figure 3.4 Employees Satisfaction of the Bank

From the Figure 4.5, generally the employees’ respondents, 54.9% of the respondents neither satisfied nor dissatisfied, 32.9% satisfied, 6.7% strongly satisfied, 4.7% dissatisfied and .8% strongly dissatisfied. Majority of respondents neither satisfied nor dissatisfied. It means that, employees’ have dissatisfied on the appraisal system, benefit packages, training and development practice, leadership style, promotion opportunities.

Development Bank of Ethiopia started giving its long term service since 1909. Development Bank of Ethiopia is a main financial institution in nation to providing financial and technical support for long term in huge investment areas of the government. In addition, current attention of the Development Bank of Ethiopia providing lease financial and technical support for long term to small and medium enterprise. To this end, it needs highly motivated and satisfied employees to run various projects efficiently and effectively and to significantly contribute in minimizing project failures.

3.9 The Correlation Coefficient between Employees’ Satisfaction and Each Four Feature of Reward System

The correlation coefficients represent the relationship between two or more variable. The correlation coefficient (R) indicates degree of relationship between two variables; if R= -1, the two variables are perfectly negatively correlated; if R= (-1, -0.3), negatively correlated; if R= (-0.3, 0.3), no correlation; if R= (1, 0.3), positively correlated and if R=1, perfectly positively correlated.

Table 3.8 Correlations Coefficient

Variables		TRB	ERB	FRB	CRB	ESB
TRB	Pearson Correlation	1	.366**	.583**	.386**	.523**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	255	255	255	255	255
ERB	Pearson Correlation	.366**	1	.375**	.264**	.388**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	255	255	255	255	255

FRB	Pearson Correlation	.583**	.375**	1	.383**	.527**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	255	255	255	255	255
CRB	Pearson Correlation	.386**	.264**	.383**	1	.423**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	255	255	255	255	255
ESB	Pearson Correlation	.523**	.388**	.527**	.423**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	255	255	255	255	2

** . Correlation is significant at the 0.01 level (2-tailed).

Source: survey (2017)

This output gives us a correlation matrix for the five correlations requested in the SPSS. Note that in this case based on intension of the study only five correlation coefficients interest, that is, the correlation coefficient between transparency of reward system and employees’ satisfaction, equity of reward and employees’ satisfaction, fair distribution of reward and employees’ satisfaction, consistency of reward system and employees’ satisfaction.

4.10 Hypothesis, testing results and interpretation are presented

From the above output of SPSS Table 4.13 there is Positive relationship coefficient between transparency of reward system and employees’ satisfaction ($r = 0.52$) and a statistically significant ($p < 0.01$). linear relationship between these two variables such that the high transparency rewards system reflects more employees’ satisfaction. So, the null hypothesis is accepted.

There is a positive relationship coefficient between equitability reward system of the bank comparing with other competitors and employees’ satisfaction ($r = 0.39$) and statistically significant ($p < 0.01$). Linear relationship between these two variables such that as the equity reward system of the Development Bank of Ethiopia improved the employees’ satisfaction. Therefore, the null hypothesis is accepted.

There is a Positive correlation coefficient among fair distribution reward system and employees’ satisfaction ($r = 0.53$) and a statistically significant ($p < 0.01$). Linear relationship between these two variables such that as the fair distribution reward system of the development bank of Ethiopia improved the employees’ satisfaction. As a result, the null hypothesis is accepted.

There is positive correlation coefficient between consistency & continuity reward system and employees’ satisfaction ($r = 0.42$) and a statistically significant ($p < 0.01$). linear relationships between these two variables such that as the consistency reward system increase the employees’ satisfaction. Hence, the null hypothesis is accepted.

3.11 Coefficient of Determination of Multiple Regressions Analyses

Table 3.9 Coefficient of Determination of Multiple Regressions Analyses

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678 ^a	.459	.451	.38505

Predictors: (Constant), Consistency and Continuity of Reward System, Equity Reward System of the Bank, Fair Distribution Reward System of the Bank, Transparency Reward System of the Bank

Table 3.14 shows the amount of variation in the dependent variable – employee satisfaction that is accounted for by the optimal linear combination of the entire set of independent variables Transparency of Reward System, Equity Reward, Fair Distribution of Reward System, Consistency & continuity of Reward System are expressed by **R square** which is 0.459, and **adjusted R square** is 0.451. This indicates the regression, expressed through the adjusted R square is statistically significant where the percentage of variation in employee satisfaction explained by the four variables accounts for 45.1%, and other unexplored variables may explain the variation in employee satisfaction which accounts for 54.9%.

In order to determine the extent to which the explanatory variables explain the variance in the explained variable, multiple regression analysis was performed. Regression is a measure of association between two quantitative variables or two sets of variables. (**Annexure I**)

4.12 Results of Regression Analyses: Predictor Variables on overall Employee Satisfaction

Table 3.10 Results of Regression Analyses: Predictor Variables on overall Employee Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	.700	.200		3.494	.001		
TRB	.226	.064	.228	3.539	.000	.519	1.926
ERB	.164	.059	.152	2.786	.006	.729	1.373
FRB	.307	.060	.319	5.080	.000	.548	1.824
CRB	.133	.043	.162	3.088	.002	.784	1.275

Multicollinearity test: In multiple regression analysis, multicollinearity refers to the correlation among the independent variables. The Variance Inflation Factor (VIF) and Tolerance of Independent variables are utilized to confirm that whether there was or no multicollinearity in the model. In Table 4.15, values of VIF and tolerance of all independent variables are given. As the values of VIF for each independent variable is less than cut point 5 (in this case the maximum is 1.926) and tolerance value of each independent variable is greater than cut point 0.2 (the minimum in this case is 0.519), so this confirm that there is no evidence of occurrence of multicollinearity in the regression estimates.

Employee Satisfaction of the Bank = $\beta_0 + \beta_1$ (Transparency of Reward System) + **β_2** (Equity Reward) + **β_3** (Fair Distribution of Reward System) + **β_4** (Consistency & continuity of Reward System).

$$ESB = \beta_0 + \beta_1 TR + \beta_2 ER + \beta_3 FDR + \beta_4 CR_{+error}$$

Where: **$\beta_0, \beta_1, \beta_2, \beta_3$** and **$\beta_4$** are coefficients of a regression model; ES is dependant variable, and TRB, ERB, FRB & CRB are independent variables.

$$ESB = 0.700 + 0.226 TRB + 0.164 ERB + 0.307 FRB + 0.133 CRB_{+error}$$

Transparency, equity, fair distribution and consistency of reward system have positive effect on the employees’ satisfaction in Development Bank of Ethiopia.

The estimated coefficient transparency of reward system is 0.226. Other variables constant, transparency of reward system of the bank influence within 22.6% on employees’ satisfaction.

The estimated coefficient of equitability reward system of the bank comparing with other competitors is 0.164. Other variables constant, equitability reward system of the bank comparing with other competitors influence within 16.4% on employees’ satisfaction.

The estimated coefficient of fair distribution reward system is 0.307. Other variables constant, fair distribution reward system of the bank influence within 30.7% on employees’ satisfaction.

The estimated coefficient of consistency and continuity of reward system is 0.133. Other variables constant,

consistency and continuity reward system of the bank influence within 13.3% on employees’ satisfaction.

4.13 Tests of Regression coefficients

To test whether each of the coefficients is significant or not, the hypotheses are as follows:

If $|t_{cal}| > p\text{-value}$, accept the null hypothesis and reject the alternative hypothesis.

The constant term (intercept) is significant. Since Sig. > 0.05, so it is important variable!

Decision: the test statistic of transparency of reward system $|t_{cal}| = 3.539 > p\text{-value} = 0.00$. Hence, accepts the null hypothesis and reject alternative hypotheses. This implies that transparency of reward system has significantly affects on employees’ satisfaction of DBE.

Decision: the test statistic of equitability reward system of the bank comparing with other competitors $|t_{cal}| = 2.786 > p\text{-value} = 0.006$. So, accept the null hypothesis and reject alternative hypotheses. This implies that equitability reward system of the bank comparing with other competitors has significantly affects on employees’ satisfaction of DBE.

Decision: the test statistic of fair distributing of reward system $|t_{cal}| = 5.08 > p\text{-value} = 0.00$. Therefore, accept the null hypothesis and reject alternative hypotheses. This implies that fair distributing of reward system has significantly affects on employees’ satisfaction of DBE.

The test statistic of consistent & continuity reward system $|t_{cal}| = 3.088 > p\text{-value} = 0.00$. As a result, accept the null hypothesis and reject alternative hypotheses. This implies that consistent & continuity reward system has significantly affects on employees’ satisfaction of DBE.

4.2 Conclusions

Based on the inference statistics of the research findings, Development Bank of Ethiopia has problem on communication of reward package to all employees. Communication gaps is source of grievance, so, it affect on employees awareness on reward packages.

Employees in Development Bank of Ethiopia have low role in development of reward package directly or through trade union. Reward policies and practices are more likely to be accepted and understood and, therefore, more effective if

employees are given a voice in the design and management of reward processes.

There are lacks of fair distribution reward system of among employees in development bank of Ethiopia; the bank reward policy has limitation on equally judge along the employees and managers. The bank cannot practice fair distribution of reward systems among the employees and managers.

The promotional practice in the bank gives low value for experience and performance (40%) and it give high value for test (60%). In the performance appraisal, the individual performance is not considered because affected by process, branch and district performance. And also reward system usually not adjusted with environmental change like inflation and profitability of the bank. Development bank of Ethiopia has problems of recognition and appreciation good workers as well as performance appraisal system of the bank did not satisfied majority of employees.

There is Positive relationship coefficient between transparency, equitability, fair distribution and consistency & continuity reward system on the employees’ satisfaction and hypothesis 1, 2, 3, & 4 are null hypothesis accepted. Other things remain constant, transparency, equity; fair distribution and consistency reward system of the bank have an effect on the employees’ satisfaction by 22.6%, 16.4%, 30.7%, and 13.3% respectively.

5.3. RECOMMENDATIONS

The finding of the study shows, the practical feeling of employees in Development Bank of Ethiopia. So the bank should be improving the reward systems in different aspects. Majority of the research findings want to attention to make corrective action so as to improve employees’ satisfaction through effective reward system practices.

- Development Bank of Ethiopia should creates awareness about reward package to all employees through orientation, training, journals and website and any employees have to get internet to browse information from the bank website.
- The Bank should give the opportunity for the employees in development and decision making of reward system directly or through trade union of the employees. Reward policies and practices are more likely to be accepted and understood and more effective if employees are given a voice in the design and management of reward processes (Armstrong and Helen, 2007).
- The Bank should gives immediate and sufficient response to complaint raise by employees in the Bank. If complaint may not solve at the right time, it is source of employees’ dissatisfaction.
- The Bank reward policy has limitation on equally judge along the employees. Therefore, Development Bank of Ethiopia should practice fair distribution of

reward systems among the employees to satisfy employees and to achieve organization desire goals with short period of time.

- Currently most successful organizations used contingency management approach, because we are living changing environment it needs the implementation of reward system according to situation. So, Bank should manage reward practice according to changing environment like market inflation and profitability.
- Development Bank of Ethiopia should be establishing a comprehensive and unambiguous performance appraisal standards and system to differentiate the good performers from poor performers. In addition, the Bank should evaluate the employees’ performance based on individual contribution on their desire plans.
- Development Bank of Ethiopia have to be practice promotion by consider employees’ experience and performance appraisal in Bank. Give test to employees for promotion is not appropriate and open to favoritism through relatives, friends and ethnic.
- Training is learning process that involves the acquisition of skills, concepts, rules, or attitudes to increase the performance of employees. Therefore, development bank of Ethiopia should create awareness about the bank mission, reward policy and strategy to employees through training and, employees should actively involve in development of reward policy and strategy in the bank. Ivana et al. (2009) stated that reward practice must satisfied a full and open transparency regarding awards, the communication of the availability of the rewards, the criteria to be satisfied, and the identification of the award beneficiaries.
- Generally transparency, equity, fair distribution and consistency of reward system have highly affected the employees’ satisfaction. So, the Bank have to improve and carry out effective reward system to increase employees’ satisfaction.

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Annexure I

Table 3.7 Equitability Reward System of the Bank comparing with other Competitors

S. No	Item	5	4	3	2	1	Mean
		%	%	%	%	%	
1	The bank's total reward package is competitive with labor market	12.2	42.0	23.9	20.2	2	3.42
2	The bank's salary scale is attractive compare with its competitors.	13.3	47.5	21.6	15.3	2.4	3.54
3	The transport allowance of the bank is good as compare to other competitors.	12.5	36.1	19.6	23.5	8.2	3.21
4	The bank's medical coverage and bonus policy is good as compare to others competitors.	23.1	52.9	15.3	7.1	1.6	3.89
5	You are rewarded fairly enough compared with other employees work competitors.	9.8	42	22	18.8	7.1	3.29
6	Employees who have equal equivalent job qualification earned equal salary and benefit with other competitors.	10.2	41.6	23.1	17.6	7.5	3.29
7	Employees have the same opportunity to growth their position like employees work other competitors.	7.1	31.4	27.5	23.1	11	3.00
8	There is high salary and benefit gaps between the manager and non managerial employees when compare other competitors.	27.1	40.4	19.6	12.5	.4	3.81
9	Male and female employees are equally treated related to salary and benefit like other competitors	33.7	44.7	14.5	5.5	1.6	4.04

Source: Survey (2016)