The Effect of Non-Financial Compensation on Employee Performance of Micro-Finance Institutions: A Case of Wakenya Pamoja Sacco, Kisii County, Kenya

OBURU Lewis Nyaribo & ATAMBO Wallace Nyakundi PhD
Jomo Kenyatta University of Agriculture and Technology

Abstract. A compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002). Aspects of non-financial compensation include workplace environment, career development, training, employee empowerment and participation. This study aimed at establishing the effect of non-financial compensation on employee performance of micro finance institutions in Kenya with special reference to WakenyaPamoja Sacco in Kisii County - Kenya. The study was guided by the following objectives: to establish the different forms of non-financial compensation at WakenyaPamoja Sacco-Kisii, to determine how aspects of non-financial compensation promotes employees performance at WakenyaPamoja Sacco-Kisii, to find out how non-financial incentives contributes to better employee performance, and to find out the extent to which WakenyaPamoja Sacco- Kisii has benefited from non-financial compensation. It was the intention of this study that upon realization of the objectives, the findings of this research study would be of great significance to researchers and scholars, the government and the existing body of knowledge related to the field of study in improving the overall employee performance and operations of the microfinance institutions. This study was done in the month of December 2015. It targeted microfinance institutions in Kenya with specific reference to WakenyaPamoja Sacco in Kisii County. The target population was determined using a census survey method since the population under study was small. All the 65 employees of WakenyaPamoja Sacco-Kisii participated in the study. To collect data, the researcher used questionnaires which were distributed to all respondents. To ensure validity, a pilot study was done. For reliability, questions were discussed with the supervisors prior to collection of data. The data was then analyzed both quantitatively and qualitatively. The study established that indeed the Micro finance industry especially WakenyaPamoja Sacco-Kisii, does employ Non-financial compensation and incentives to motivate employees, drive up their performance as well as to retain staff.

KEY TERMS. Effect, Non-Financial Compensation, Employee Performance, and Micro-Finance Institutions.

Microfinance institutions : These are financial institutions operating on the principles of group mobilization of saving and lending where group members co-guarantee each other.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study
Compensation is one of the most important elements which motivates employees to contribute their best effort to generate innovative ideas that lead to better business functionality and further improve company performance both financially and non-financially. According to Dewhurst et al. (2010), there are other means to reward employees that do not just focus on financial compensation. Some of these include the appraisal that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. Much research on leader power have found that supervisor reward power would be positively associated with employee task performance, productivity, satisfaction, turnover, and organizational citizenship.
behaviors (Simon, 1976; Martin & Hunt, 1980; Jahangir, 2006).

Employees will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, training and development opportunities, job security, and company’s overall policies and procedures for rewarding employees. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance.

Motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific goal Baron (1983). Rewards can be extrinsic or intrinsic. Extrinsic rewards are tangible rewards which are external to the job or task performed by the employee. Extrinsic rewards can be in terms of salary, incentives, bonuses, promotions, or job security. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal.

In his work Luthans (2000), notes that, there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards/compensation means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts. Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation. The non-financial rewards are also called materials award (Neckermann and Kosfeld, 2008). Desired performance can only be achieved efficiently and effectively, if an employee gets a sense of mutual gain to organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set a compensation system to evaluate the employee’s performance at all levels and then compensate them whether through visible pay for performance or invisible satisfaction.

The concept of performance management has given a rewards system which contains: needs and goals alignment between organizations and employers rewarding employees both extrinsically and intrinsically. The system also suggests where training and development is needed by the employee in order to complete the defined goals. This training or development need assessment of employee gives them an intrinsic motivation. Frey (1997) argues that once pay exceeds a subsistence level, intrinsic factors are stronger motivators, and staff motivation requires intrinsic rewards such as satisfaction at doing a good job and a sense of doing something worthwhile.

There is mix finding in the literature to determine which type of compensation is more effective to increase employees’ performance. According to Perry et al (2006) financial rewards is not the most motivating factor and financial results have a demotivating effect among employees (Srivastava, 2001). Several studies have found that among employees surveyed, money was not the most important motivator, and in some instances managers have found money to have a demotivating or negative effect on employees.

On the other hand, Ryan et al (2000) indicated that non-monetary types of compensation can be very meaningful to employees and very motivating for performance improvement. According to him, creative use of personalized non-monetary rewards reinforces positive behaviours and improves employee retention and performance. These types of recognition can be inexpensive to give, but priceless to receive. In this study, the researcher seeks to establish the effect of non-financial compensation on employee performance.

WakenyaPamoja Savings and Credit Cooperative (SACCO) is one of the largest cooperative societies within Kisii County in terms of membership and share contributions. It was established and registered in 1976 under the Cooperative Societies Act Cap 490 of the Laws of Kenya as a Union Banking section of Kisii Farmers’ Co-operative Union (KFCU). It became Autonomous in the year 1992 under the name Gusii Farmers Rural Sacco (GRFS). The society has, over the years, undergone major governance reforms which have facilitated the change of name which was in line with the strategic move to expand geographically and explore other financial opportunities and diversification of the membership to increase the society’s scope beyond tea and coffee to include value chain financing, microfinance, business development financing, asset financing among others. The diversification to microfinance followed by value chain financing has created the impetus and the incentive for change in the society. The day to day activities are run by the Chief Executive Officer (CEO) assisted by section managers who oversee the operations of the above mentioned areas of operation. The society is structured into various departments namely: Finance, Marketing, Microfinance, Internal Audit, Information Communication and Technology, e-Banking and Human Resources Departments. WakenyaPamoja
Sacco, like any other organization is facing a risk of fraudulent activities which are likely to lower its performance especially in its profitability, efficiency, effectiveness and wastage of resources which may jeopardize the achievement of its goals. Therefore there is a need to evaluate the impact of internal control system on performance of the organization to identify to what extent it contributes to protection against errors and frauds.

1.2 Statement of the Problem

There are mixed findings in the literature to determine which type of compensation is more effective in increasing employee performance. According to Perry et al (2006) financial rewards are not the most motivating factors and financial rewards have a de-motivating effect among employees (Srivastava, 2001). Several studies have found that among employees surveyed, money was not the most important motivator, and in some instances managers have found money to have a demotivating or negative effect on employee performance. On the other hand, Ryan (undated) indicated that non-monetary types of rewards can be very meaningful to employees and very motivating for performance improvement. According to him, creative use of personalized non-monetary compensation reinforces positive behaviours and improves employee retention and performance. These types of recognition can be inexpensive to give, but priceless to receive. This study therefore seeks to ascertain what makes non-financial compensation an important motivation in promoting and sustaining performance of employees in any organization today. This is based on the foregoing supposition that there is need for organizations to develop innovative ways of tapping intrinsic motivation of employees by engaging their hearts and institutionalizing such robust practices and effective processes that will ultimately positively impact on employee performance.

1.3 Significance of study.

The findings of this study will be useful to various stakeholders. First, this research will assist scholars and academicians as a source of data and literature for broadening of the body of knowledge with respect to this study hence provide a deeper understanding on the effect of non-financial compensation on employee performance of micro finance institutions in Kenya. Second, the study will enable the government to come up with good policies that will help in the institutionalization of non-financial compensation in Micro Finance Institutions in the country. This will result in an improved economy in the areas of investments, employment and overall per capita income through improved employee performance which follows proper employee compensation. On the other hand, policy makers will benefit by obtaining data and information on how to exercise non-financial compensation in Micro Finance Institutions. Equally, this study will assist the management within Microfinance Institutions in Kenya to make informed decisions and take corrective measures to mitigate against demotivating employees due to absent or weak non-financial compensation mechanisms. Moreover, the community will also benefit by getting improved services (loans with low interest rates, employment opportunities, corporate social responsibility offered by the society) as a result of improved employee performance. Finally, the findings of this study will be useful in the sense that Micro-finance Institutions will have an insight into the understanding of the effect of non-financial compensation on employee performance of Micro Finance Institutions in Kenya.

1.4. Objectives of the Study

The general objective of the study was to establish the effect of non-financial compensation on employee performance of micro finance institutions in Kenya.

1.4.1 The specific objectives include:

i. To establish whether WakenyaPamoja Sacco-Kisii, Kenya employs non-financial incentives and non-financial compensation to spur higher employee performance.

ii. To determine how job design, career development, training and improved workplace environment promote employee performance at WakenyaPamoja Sacco-Kisii, Kenya.

iii. To find out how participation and recognition enhance employee performance at WakenyaPamoja Sacco-Kisii, Kenya.

iv. To investigate whether WakenyaPamoja Sacco-Kisii, Kenya has realized greater performance upon wide use of non financial rewards.

1.5 Research Questions.

The research was guided by the following questions:
i. What are the different forms of non-financial compensation and incentives in use at WakenyaPamoja Sacco-Kisii, Kenya?

ii. How does training, career development, job design and better work-place environment promote employee performance at WakenyaPamoja Sacco-Kisii, Kenya?

iii. How does participation and recognition enhance employee performance at WakenyaPamoja Sacco-Kisii, Kenya?

iv. How do the twin aspects of non-financial reward affect the performance indicators namely profitability, efficiency, effectiveness and improved service delivery?

1.6 Scope of the Study.
While the study findings will contribute to general knowledge on the effect of non-financial compensation on employee performance of microfinance institutions in Kenya, it’s obvious that different microfinance institutions have different characteristics ranging from geographical, nature of market and types of products they offer. The results therefore may not be totally applicable to other microfinance institutions but can be generalized to reflect the effect after modifications. Data collection was restricted to questionnaires.

1.7 Limitations of the Study.
The study targeted only members of WakenyaPamoja Sacco management and employees in Kisii Main Branch. Secondly, data collection was restricted to the use of questionnaires which were designed for both cadres of junior staff and senior management staff. By designing questionnaires that targeted all staff cadres the researcher eliminated the need for interviews for top management and deftly utilized the limited financial resources at his disposal for the study. The scope was not very wide therefore any generalization of the findings of this study should be done with these limitations in mind.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter contains literature review in general and theoretical literature related to the study. Both independent and dependent variables for the study were reviewed in this chapter. The purpose of this study was to establish the role of the various elements of non-financial compensation on employee performance in microfinance institutions. This section was divided into introduction, the theoretical/conceptual framework, and the critiques of existing literature relevant to the study, the summary and the research gaps.

2.2 Empirical Literature Review.

2.2.1 Compensation
Rajagopd (2010) argues that compensation as well as sales territory design influence the effectiveness of the sales forces. (Krafft, et al 2012) state that compensation is used as a mechanism for directing sales force energy, activity and performance. These compensation systems may also affect the satisfaction and retention of sales people. While there are a variety of ways to compensate a sales force, most companies use three main methods: straight salary, straight commissions and a combination of salary and commissions. Besides salary and commission, financial compensation could also include reimbursement of sales expenses and transportation. Non-financial incentives may also be included in a compensation plan (Hair et al. 2010). As a sales force can become accustomed to a relatively stable compensation plan, it can become ineffective as a motivator, thus emphasizing the fact that sales managers need other non-financial motivational approaches as well (Ibid).

2.2.2 Non-Financial Rewards
The non-financial rewards include job design, working environment, career development, training, participation and recognition.

Job Design
Job design is the process of systemizing the tasks, duties and responsibilities, (Opatha, 2002). It aims at enhancing employee satisfaction and accomplishing organizational goals by designing the content, methods and connection of jobs, according to the aptitude and abilities of employees. The job design can play an effective role in motivating the employee...
by organizing the tasks in a way that are interesting and challenging at the same time. A well designed job can increase the employee morale by reducing the monotony and repetition of work, (Görg & Rastogi, 2006). The perceived work demands, job control and social support through job design leads to high productivity. The job design can be improved by implementing the HR interventions like job rotation, job enrichment and job enlargement. These interventions are helpful in terms of creating a challenging work environment with varying the job aspect which enhances the employee motivation and performance.

On the other hand, flexible work schedules, job sharing and telecommuting also facilitate the employee and are helpful in motivating them. The flexible work schedule allows the employee to determine their arrival and departure time and to perform their duties during the core time. In job sharing, two employees can share their duties on one job and telecommuting motivates the employee by facilitating them to work two or three days a week from home, (Bohlander & Snell, 2004).

Better Workplace Environment
A better workplace environment leads to increased employee commitment and performance. It boosts the employee motivation and improves the productivity. A work environment where employees feel that they have reasons for doing work and get pleasure from doing their job motivates the employee. In working conditions where employees are not provided with adequate resources, tools, training, software and supplies lead to the motivation and lesser productivity. The inefficient working conditions which include comfort issues like poor ventilation, seating, lightning and noise can cause anxiety and decrease the output, Hughes, (2007).

The workplace with lack of privacy and communication barriers reduces motivation and productivity. A healthy work place which is made by using ergonomic furniture and accessories, lightning and functional design will diminish distress and improve production. Lack of praise, recognition and promotions in the workplace environment affect the motivation of employees. The presence of troublesome and negative employees also influences the employee’s relationship with rest of colleagues in a negative way. As a result, the absenteeism rate increases and they are less likely to continue the job, Roelofsen, (2002). Relationship with the coworker, equal opportunities for promotions, responsibility and autonomy are also components of working environment which can affect the motivation. Management should improve working conditions in order to improve productivity and motivate the employees. Since employees are not robots so the workplace should have a gym and lounge for the wellbeing of employees.

Career Development
The lack of career development opportunities affects motivation and performance. If employees are offered opportunities for developing their careers by adapting skills, technologies and competencies essential for performance improvement and promotion, they will feel valued and motivated. Motivation is goal-oriented behavior.

According to this concept, employees can be motivated if their expectations concerning the goal accomplishment are linked with the specific actions on the part of management. Hence, employee motivation will increase with the realization that the course of action will not only lead to accomplishment of goals but results in greater chances for their promotions. The provision of opportunities for learning and growth of the organizations can motivate the employee, Armstrong, (2001). Organizations pay more attention on developing their employees and enhancing their motivational aspects like self-esteem and self-actualization. So, they can reach the most favorable performance. Equal opportunities for career advancement and “equitable” payment system and training can increase the motivation of employees.

Training
There is a positive relationship between training and employee performance, (Whithey & Cooper, 1989). The anticipation of future financial benefits, promotions and recognition motivates the employee to adapt new skills and technology at the training program. A training program that starts with a needs assessment and then inconsistency between actual and standard performance of trainee is analyzed. Later on, training objectives are made. After determining who wants the training and what sort of training should be given, the training program is implemented. The last step of the process is to evaluate the effectiveness of training programs. Training has a positive impact on the employee performance.

The lack of training will result in ignorance of the manager about the skills, competencies and knowledge that are decisive for the performance improvement and motivation. Organizations conduct training programs due to dynamic changes in the business environment which increases the motivation of employees. As a result, the employees are
promoted due to the training provided to them, Roscoe, (2002). Firms who spend more on training of the employee are more developed as the human resource training enhances the productivity more than any other resources, Khattak, et al (2010); Murphy, et al (2006) concluded that employees are motivated to be trained because they foresee an increase in their confidence level, self-esteem and career satisfaction. The training and development brings more future opportunities for promotion. An involvement of employees in the training program and determining their training needs gives them ownership of the training process and add value to the performance.

2.2.3 Non-financial Incentives
Non-Financial incentives constitute such inclusive aspects as participation and recognition

Participation
Employees’ possibility to participation is the source of intrinsic motivation (Herzberg 1968; Fernie & Metcalf 1995; Brown 1996). According to Brown (1996) participation is a key to activate employee motivation. Participation engages employee in work and makes work more meaningful which in turn increases intrinsic motivation. Four of the six above demonstrated motivation theories support participation’s positive effect on performance. According to Maslow’s hierarchy of needs participation can fulfill peoples’ social and self-actualization needs. In Herzberg’s motivation hygiene theory participation is a motivation factor which in-creases motivation and job satisfaction. Cognitive evaluation theory hypothesis individual’s basic needs are autonomy and competence. Participation gives employees’ possibility to influence on their work. In that way, participation can fulfill individual’s need for autonomy and motivate employees.

Although participation has been considered the source of intrinsic motivation and some of the motivation theories support participation’s motivating effect several studies have been found out that generally participation has modest positive effect on performance. Locke et al, (1980) researched how monetary incentives, participation and job enrichment affect performance. In their study, they found that participation has the most minor effect on performance. Participation improved performance less than one per cent, (Ibid). Also Brown, (1996) found that generally correlation between participation and performance is positive but weak. Cotton, et al (1988) found that employees’ possibility to influence on decision focusing on the employees’ work or job issues has positive effect on performance. However, they did not report how strong correlation between participation and performance was. Besides participation’s positive effect on performance, they also found that short time participation has no effect on performance and that the improvement of the performance is dependent on the amount of the influence. The more influence employees had the more performance improved, (Ibid)

Although participation’s direct effects on performance have reported to be modest there is possibility that participation has some indirect effects on performance. For example (Fernie and Metcalf, 1995) found that possibility to participation increases employees’ commitment to organization and organization’s goals. One reason for employees’ increased commitment can be that employees feel they are important when they have access to management info and influence on decision making.

Also Brown, (1996) found that participation has strong positive correlation with commitment. Brown also reported that participation has negative correlation with turnover. More involvement employees want to stay in organization. The participation’s commitment aspect can be one reason why Cotton et al. found no effect with short term participation and performance. Maybe participation’s effects on performance come out only in long run. This hypothesis also partly impugns the results of other studies which reported participation to have only modest effect on performance. Like in the case of feedback it is important to notice that participation is also important when implementing other incentive plans. Especially in monetary incentive’s case participation has positive effect on incentives satisfaction (Ibid).

Recognition
According to Naveed, (2012), recognition and rewards have a direct impact on motivation of the employees and increase their efficiency. Recognition refers to the general acknowledgement or confirmation of a given occurrence or performance (Petresca and Simon, 2008). According to Harrison (2005), employee recognition is seen as a timely, informed or formal acknowledgement of an individual’s behavior and effort that directly supports the achievement and organizational goals and values and usually has been beyond normal expectation levels. It is therefore an employee’s acknowledgement of an employee’s accomplishment and effort towards the organization’s goals. It concludes the act of giving special attention to employee’s actions, efforts behavior or performance which can either physically or psychologically or
both. It is actually one way of dealing with the employee feelings. Employee recognition is one of the ways of motivating staff in an organization, making them feel valued and in improving the overall attraction and employee retention. Not all employees are motivated to perform beyond the essential minimum with monetary incentives alone Nolan, (2012). It is therefore incumbent on organizations to provide relevant awards on merit as a form of employee recognition.

According to Keller (1999) non-monetary rewards can be very motivating helping to establish confidence feelings and satisfaction on part of the employee. Empirical studies show that employees who receive recognition at their work place end up with higher self-esteem, self-confidence and an induced feeling and willingness to take up new challenges while embracing innovations (Allen & Kilmann, 2001). Employees who feel appreciated often go above and beyond the organizational expectations and are likely to stay in the organization Welsh et al, (2012). Such employees become positive about themselves and as a result of their positive self-esteem, they end up becoming the best and reliable employees in the organization. This further translates into greater performance requiring minimal supervision. Some organizations use recognition to spur individual performance while others use it to enhance overall organizational performance.

Organizations can offer employee recognition in various ways ranging from the provisions of gifts cards, certificates, shopping vouchers, ‘thank you’, praise dinners, trophies, career advancement opportunities, trainings, appreciating ideas and respect where it deserves, Nolan, (2012). Organizations have even devised recognition programmes such as ‘employee of the month year schemes and long service awards.’ Studies indicate that failing to include recognition as a component of compensation is a common occurrence in most organizations Ndeitei et al, (2009). Recognition is however the least expensive Corby et al, (2005) and yet it elicits more benefits from employees.

2.3 Conceptual Framework
Figure 2.1 below depicts the relationship between the independent and dependent.

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>DEPENDENT VARIABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON- FINANCIAL COMPENSATION</td>
<td>PERFORMANCE</td>
</tr>
<tr>
<td>Job design</td>
<td>Profitability</td>
</tr>
<tr>
<td>Better workplace environment</td>
<td>Efficiency</td>
</tr>
<tr>
<td>Career development</td>
<td>Effectiveness</td>
</tr>
<tr>
<td>Training</td>
<td>Improved service delivery</td>
</tr>
<tr>
<td>NON- FINANCIAL INCENTIVES</td>
<td></td>
</tr>
<tr>
<td>Participation</td>
<td></td>
</tr>
<tr>
<td>Recognition</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.1 Conceptual framework

Non-financial compensation and non-financial incentives form the independent variable. Non-financial compensation aspects rely on job design, better workplace environment, career development, and training while non-financial incentives encompass participation and recognition. If these elements are put into action, they will lead to aspects of good performance reflected in the dependent variable which include: profitability, efficiency, effectiveness, and improved service delivery. The conceptual framework is designed based on Lawler’s model of pay satisfaction (Lawler, 1981) which links individual elements of a compensation system to employee performance in the organizations under study.

A compensation system is a sum-total of elements at an employer’s disposal that may be used to attract, motivate, and retain employees (Ibid). It is therefore all that the employee perceives to be of value out of his or her employment relationship as established in the organization, Lawler, (2003). The conceptual framework used in this study is in tandem with the total reward model by Armstrong et al. (2011). The total reward model, supposes that employee motivation and satisfaction will automatically translate to excellent results and performance and the degree of satisfaction or motivation will determine the level of outcomes in performance and results, which in turn add up to the overall organizational performance and general public image. By creating an appropriate mix of organizational culture, business practice and human resource strategies with total reward strategy which finally results in employee attraction, retention, and
motivation. All the afore mentioned will in turn result in low employee turnover rates, great corporate image, higher performance, innovation and unmatched results.

2.4 Theoretical Review

In the globalization age, the workplace realities of previous organizations no longer exist. It is necessary to revise carefully. It is also important for the organizations to meet and introduce new motivational tools of employees since the change has been observed on the workplace realities in today’s organizations Roberts, (2003). Beer et al, (1984) strongly asserts in their research of changing work environment the reality that organizations today have totally changed, therefore it is more important for the top management to carry out new methodologies of developing strong and durable relationship between the organization and employees for meeting the organizational goals and fulfilling the continually changing needs of both parties.

Most of the organizations have gained immense progress by fully complying with their business strategy through a well-balanced reward and recognition programs for employee. Deeprose (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. The entire success of an organization is based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. According to Babakus et al. (2003), the perceptions that employees have with regards to their reward climate influences their attitude towards their employees.

In addition, the commitment of managers towards their organization is also shown by how the manager rewards his/her employees. Goulder (1960) mentions the norm of reciprocity, which focuses on the ability of organization to accommodate the needs of their employees, and reward them for their effort. In exchange for the rewards provided to them, employees should reciprocate by increasing their commitment towards their organization and their work. Many studies in the creativity literature have shown that the firm’s reward system plays a critical role in motivating employees to perform creatively (Eisenberger, 1992; Eisenberger, Armeli and Pretz, 1998; Eisenberger and Rhoades, 2001). As an effort to stimulate employees’ creativity, many managers have used extrinsic rewards (for example, monetary incentives and recognition) to motivate their employees (Fairbank and Williams, 2001; Van Dijk and Van den Ende, 2002). While empirical research has shown that extrinsic rewards help enhance individuals’ creative performance. The literature is still divided when it comes to its effects on individuals’ creativity (Beer et al., 2003).

The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Delaney and Huselid, 1996). A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002). In other words, the compensation system (for example, profit sharing) contributes to performance by linking the interest of employees to those of the team and the organization, thereby enhancing effort and performance (Kalleberg and Moody, 1994; Huselid, 1995; and Kline, 1995).

According to Nelson & Spitzer (2002) although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, there is a change that the essence of the reward would be forgotten. In a study conducted by Bowen, (2000), the researcher warns that managers should be aware of 'no rewards'. Such rewards should be utilized sparingly, and should not be used all the time. They are also described to be passive, and they do not necessarily lead to positive behaviors in the long term.

Shore & Shore (1995) indicate that employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for. Thus, there is a need for the employer to really make an effort in showing the employee that his/her wellbeing is of concern to the organization and the management and that the contribution of the employee towards the organization is highly valued. This idea is further reiterated by Buchanan (1974) who adds that the recognition of contributions towards the organization has a positive relationship towards increasing the
commitment of the employee towards the organization and its objectives.

Goodwin & Gremler (1996) note that the banking and finance industry is in need of employees that are both satisfied and motivated, for without that, customer satisfaction level would also be affected. This idea is also supported by Adelman et al. (1994) who maintains that interpersonal relationships established between bank personnel and the customers are a big driving force behind ensuring that a customer is satisfied or dissatisfied. Reynolds & Beatty (1999) add that the relationship established between the employees and the customers may lead to an increase in values perception with regards to the bank’s products and services. When a high perception of value is achieved, then it is also highly likely that the customer will be satisfied, thereby bringing in more business for the organization. It is against this background that this study seeks to establish the effect of non-financial compensation on employee performance.

2.4.1 Expectancy Theory

Expectancy theory also known as Expectancy theory of motivation supposes that an individual will behave or act in a particular manner because they are motivated to select a specific behaviour over other behaviours due to what they expect the end result of that selected behaviour will be Oliver, (1974). Therefore, the motivation of the behaviour selection is driven by the desirability of the end result. Nevertheless, at the centre of the expectancy theory is the mental process of how an individual weighs the different motivational elements. This is normally done before making the ultimate choice. The outcome is not the sole determining factor in making the decision of how to behave, (Ibid).

The expectancy theory attempts to bring together many of the elements of previous theories. It combines the perceptual aspects of equity theory with the behavioral aspects of other theories. Vroom (1964) summed it as motivation = expectancy * instrumentality * valence, where he noted that motivation is the degree a person will be motivated by the situation they find themselves in, and it is a function of expectancy which is person's perception that effort will result in performance. In other words, the person's assessment of the degree to which effort actually correlates with performance. While instrumentality is the person's perception that performance will be rewarded or punished. For instance, the person's assessment of how well the amount of reward correlates with the quality of performance. Finally valence is the perceived strength of the reward or punishment that will result from the performance. If the reward is small, the motivation will be small, even if expectancy and instrumentality are both perfect.

Atambo (2014) concurs that the expectancy theory lays emphasis on how employees make choices from the possible options available to influence their behaviours and effort. On the basis of expectancy theory, anticipation the consequences, outcomes or results influence both short term and long term behavior indicators in an individual Vroom (1964). And Torrington et al (2008). The expectancy theory simply points to the expected compensation. Similarly, according to Beardwell & Claydon (2007), the expectancy theory enables the individual to exert effort and skill on a task based on the possible options available. The expectancy theory is solidly founded on two variables namely: the Valence which is seen as the perceived value of the outcomes and the Expectancy on the other part which is viewed as the probability that the behavior through action and effort will lead to a point of yielding the anticipated outcomes, (Vroom, 1964). Both the Valence and Expectancy are therefore understood to influence employee job performance. The expectancy theory is also based on two assumptions namely: first, employees are motivated to receive positive outcomes while avoiding negative outcomes and that secondly employees are rational, careful processors of information, Lawler, (2003).

2.5 The Critique of the Existing Literature Relevant to the Study

The literature review above presents an elaborate and detailed linkage between the independent and the dependent variables in the study. The literature review is based on the expectancy theory. Several critics (Graen, Lawler, and Porter 1968) have suggested that adjustments and re-considerations to Vroom’s original expectance theory should be made. Vroom is operating under the assumption that all employees are seeking more power, money or prestige. However, there are some workers who might not see a raise as enough motivation to put in more time and effort. There are also employees who are balancing family life with work, and would actually reject the prospect of a
promotion with a responsibility increase simply due to a lack of time to commit.

Despite these few criticisms, the Expectancy Theory of motivation is a convincing and beneficial model to use when attempting to explore individuals’ underlying incentives to engage in setting and achieving goals, especially when applied to the work place. All the elements of non-financial compensation in this study have been cited to have a positive effect on performance in differing extents. A delicate balance of the elements stated above is necessary to elicit the full potential of microfinance sector employees. It is the above background which informs the suitability of this study, to study the effect of non-financial compensation on employee performance of micro finance institutions in Kenya with specific reference to WakenyaPamoja SACCO.

2.6 Gaps in the Literature Reviewed

It is important to note that much has been done concerning the effect of both financial and non-financial compensation on employee performance. Much of the foregoing studies are on job satisfaction versus compensation. Most studies on job satisfaction in various sectors including education, Public sector, health, manufacturing industry, transport, communication, and finance have done little with respect to non-financial compensation. On the other hand, studies on compensation in the microfinance industry have concentrated on financial compensation. Available data revealed that financial rewards have the greatest impact in fostering employee performance in the microfinance industry. Very little focus has been given to the effect of non-financial compensation on employee performance in the microfinance institutions in Kenya, nor is there any study that determines whether non-financial compensation or rewards played a significant role in motivating employees or causing their retention or eliciting job satisfaction. Thus the study of the effect of non-financial compensation on micro-finance institution employees seems inevitable since an understanding of the factors involved in employee retention, job satisfaction, and the accruing higher organizational performance is vital in improving happiness of workers, Okpara et al (2005). Another researcher notes that use of non-financial rewards influences the mental and physical wellbeing of the employees in their work as well as the quality of their production which is important in the attraction, and retention of valuable staff Asiago (2015). Understanding whether employees are satisfied or dissatisfied can lead to improvement and innovation in their work. This also helps the organization under study including the entire industry determine how to retain employees, lower absenteeism, as well as employee turnover rates, and inevitably attract and retain competent staff.

2.7 Summary

This chapter has provided a detailed review of literature relevant to this study. The literature highlighted includes: the empirical literature review, theoretical frame work, the theoretical literature review, issues related to the expectancy theory, the critiques of the existing literature relevant to the study, and the gaps in the literature reviewed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Kerlinger (1986) defines research design as a plan, structure or strategy of investigation conceived in order to obtain answers to research questions or problems. This study used a descriptive survey research design. Orodho (2005) notes that this design gathers data at a particular point in time with the intention of describing the nature of the existing conditions, identifying the standards against which existing conditions can be compared and determining the relationship that exist between specific events. The central feature of descriptive survey is the systematic collection of data in standardized form from an identifiable population or representative sample. This study sought to describe and analyze, and in some cases explore some aspects of the organization as they were. This design was suitable for the study because it enabled the researcher to collect original data from the management of WakenyaPamoja Sacco - Kisii. It also enabled the researcher to obtain both qualitative and quantitative data from the field.

3.2 Target Population

This research study was done at WakenyaPamoja Sacco situated in Kisii town, Kisii County. In the recent period, it had taken its branch-network to Homabay County and Nyamira County. The research population constituted sixty five (65) employees of WakenyaPamoja Sacco Ltd. This included employees from the department of bookkeeping, employees
from the department of accounts, and employees from the department of finance and administration.

<table>
<thead>
<tr>
<th>Category (Years)</th>
<th>population Size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Middle management</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Employees</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>65</td>
</tr>
</tbody>
</table>

Table 3.1 Sample Size

3.3. Sampling Procedure and Sample Size

This study used a census survey method since the population was small. Also under this method, the result of the enquiry was likely to be exact and accurate, because the information was collected from each and every member of WakenyaPamoja Sacco - Kisii Branch. Kothari (2004) notes that when the Universe is a small one it is no use resorting to a sample survey method, in this study the Universe was Sixty-five (65), and the researcher opted for a census survey method.

3.4 The Data collection Instruments

3.4.1 Questionnaires

Warwick and Linger (1975) stated that researchers should settle on instruments, which provide high accuracy, generalizability and explanatory power with low cost, rapid speed, and a minimum of management demands, with high administrative convenience. This study employed questionnaires to collect data. A questionnaire is a research instrument that gathers data over a large sample, Kombo and Tromp (2006). Data collection procedures involved the researcher and the research assistants handing out questionnaires to respondents and then collecting them after one week for analysis.

3.4.2 Document Analysis

Ogula (1998) defines document analysis as a systematic assessment of communication for purposes of identifying specific characteristics of message. In this study, contents of documents on microfinance organizations with specific reference to WakenyaPamoja Sacco-Kisii were analyzed to establish the extent to which non-financial compensation was used to motivate the staff. Therefore, document analysis was used to validate and check data gathered by the researcher.

3.5 Pilot Test

To ensure reliability of the instruments, a pilot study was carried out in the Gusii Mwalimu Sacco Society – Nyamira Branch. The organization was selected since the two organizations were in the same industry and shared the same geographical area albeit slightly different clientele. The research instruments were administered to the same pilot group twice after an interval of one week and the results compared. The Cronbach’s alpha was 0.826 indicative of high reliability, once the research instrument’s reliability had been established, they were adopted for the study.

3.5.1 Reliability

Enon (1998) observes that the reliability of research instruments is concerned with the extent to which the instrument yields the same results on repeated trials. Reliability ensures that the consistency of the research measurement or degree to which the questionnaires as a measure or as an instrument, measures the same way each time it is used under the same condition with the same subjects. A measure is considered reliable if a researcher’s findings on the same test given twice are similar. Mugenda & Mugenda (2003) further assert that reliability ensures that there is precision with which data is collected. If the same results are gained time after time, no matter how many times you conduct a piece of research, this suggests that the data collected is reliable. Test- retest method was used to determine the reliability of the questionnaire items in which the respondents were asked to provide information for the second time. This was done through pilot test of 2, 3 and 4 weeks interval. The main aim was to affirm the consistency of the tool and provide consistent information in order to draw informed conclusions. In this case, the questionnaires were pretested on the pilot group outside the study and the result was a Cronbach Alpha index of 0.826 for the data collection instruments which indicates high reliability.

3.5.2 Validity

A valid instrument contains content that is relevant to the study. Validity is thus the degree to which results obtained from an analysis of the data actually represent the phenomenon under study (Mugenda &
Mugenda, 2003). Kothari (2005) further notes that a test is said to be valid if it measures what it is designed to. To assess the content validity, the research sought assistance from the University supervisors who were experts in the field of Human Resource Management. The supervisors gave the required feedback for implementation. Through these, the researcher was able to identify weaknesses and ambiguity in them and make the necessary adjustments.

3.6 Data Collection Procedures

Kombo and Tromp (2006) defined data collection procedures as the collection or gathering of information to serve or prove some facts. It involves the real process of going to the field to get the required information from selected population. According to Saunchers et al (2008) a response rate of at least 35 per cent is reasonable. Both quantitative and qualitative data were gathered relating to the existing compensation systems and policies with regard to employee performance. In order to administer the research tools, the researcher obtained an introductory letter from JKUAT– Kisii CBD Campus which enabled him to get a research permit from the Ministry of Education before proceeding to the field. Upon acquiring the permit, the researcher further asked the permission of the Board of Management of WakenyaPamoja - Kisii to enable him collect data from within the institution. This was done through a letter stating the research area, purpose of the research and the exact dates when the research will take place. On the actual dates of the research, the researcher and his research assistants issued the questionnaires and collected them after one (1) day for data analysis and presentation.

3.7 Data Processing and Presentation

The data were analyzed by use of both quantitative and qualitative method of data analysis. The quantitative measures were used to generate descriptive statistics to analyze for frequencies, means and percentages while qualitative methods were used in sorting out data from questionnaires. The questionnaires were screened for completeness, coded and then formatted. The results were reported using descriptive statistics such as frequency tables, pie charts and graphs. The findings were be used to make inferences.

3.8 Summary

The chapter has provided an indepth description of the research design, the target population, the locale of the study and the rationale for adopting the census study method. Further the instruments of research have been identified, after their validity and reliability has been established. Data collection procedures, analysis and presentation are identified herein and all the above aided in the writing of Chapters Four and Five to achieve the expected purpose and objective of the study.

CHAPTER FOUR
DATA ANALYSIS AND DISCUSSION

4.1 Response Rate

The data for this study were collected within one day using a structured questionnaire. The questionnaires were administered to 65 respondents comprising all employees of WakenyaPamoja Sacco - Kisii. Of these 65 questionnaires, 54 were successfully completed and returned to the researcher by respondents, giving a response rate of 82.8% which was considered sufficient. This summary was presented in Figure 4.1.

Fig. 4.1 Response rate.

4.2 Response on Demographic Characteristics.

The study analyzed five demographic characteristics of the respondents: gender, age, level of education, length of service, and terms of service. Table 4.1, 4.2, 4.3, 4.4, and 4.5; indicate the response by working out the frequencies and percentages of each category of the respondents.

Table 4.1: Frequency of Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>35</td>
<td>64</td>
</tr>
<tr>
<td>Female</td>
<td>19</td>
<td>36</td>
</tr>
</tbody>
</table>
From Table 4.1, 64% of the respondents were male while the remaining 36% were female. This big disparity was due to socio-cultural and economic factors which tend to affect the female population negatively in the society when compared to the male population. This outcome shows that the government and its relevant organs must work harder to bridge the gap between the male and female population with respect to exposure to relevant education. This notwithstanding, it is clear that WakenyaPamoja Sacco - Kisii meets the one third gender representation which is a constitutional requirement.

4.2.2: Age of respondents.

Table 4.2, shows the age groups, the frequencies and percentages of the respondents utilized during this study.

Table 4.2: Frequency of Age

<table>
<thead>
<tr>
<th>Age Category (Years)</th>
<th>Frequency</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25</td>
<td>3</td>
<td>4.9</td>
</tr>
<tr>
<td>26-30</td>
<td>20</td>
<td>39</td>
</tr>
<tr>
<td>31-35</td>
<td>24</td>
<td>43.9</td>
</tr>
<tr>
<td>36-40</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>&gt;41</td>
<td>3</td>
<td>4.9</td>
</tr>
</tbody>
</table>

From Table 4.2, majority of the respondents who participated in this research were in the age category of 31-35 (43.9%). They were followed closely by those in the age bracket of 26-30 (39%). This age category mainly comprises of fresh graduates from the universities and colleges who were recently employed by the company. Those who were in the age bracket of 36-40 were 7.3% and were the third leading category in number. Those who were in the age bracket of 41 years and above (4.9%) and those between the ages of 20-25 years (4.9%) were the least in number. Those between the ages of 20-25 years are people who are still in colleges though they have been allowed by WakenyaPamoja Sacco - Kisii to do their internship from the institution. Those in the age bracket of 41 years and above are the older members of staff who are mostly senior employees of the company. The above result indicates that the level of exposure to non-financial compensation on employee performance of microfinance institutions in Kenya and in particular WakenyaPamoja Sacco - Kisii is most prevalent in people who are in their mid to late twenties and in their early thirties. This clearly shows that there is need for microfinance institutions to institutionalize non-financial compensation to promote performance.

4.2.3 Education of the respondents.

Table 4.3, categorizes the respondents according to their level of education and/academic qualification.

Table 4.3: Frequency of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Secondary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Diploma</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>Higher Diploma</td>
<td>6</td>
<td>10.4</td>
</tr>
<tr>
<td>Degree</td>
<td>29</td>
<td>53.7</td>
</tr>
<tr>
<td>Master</td>
<td>15</td>
<td>28.7</td>
</tr>
</tbody>
</table>

From Table 4.3, there was no respondent with either primary or secondary level education. Those with diploma level education were 4 (7.3%), 6 (10.4%) had a higher diploma, 29 (53.7%) had a degree and 15 (28.7%) had a masters degree. This spread clearly indicates that the microfinance industry employs people who are well educated considering the percentage of those with at least a degree (53.7%) and those who had attained a masters degree (28.7%). From Table 4.2.3, it is clear that all employees at WakenyaPamoja Sacco - Kisii are well educated and can fully understand aspects of non-financial compensation.

4.2.4: Terms of Service of the respondents.

This study undertook to establish the cadre of the respondents who were engaged in this study. Table 4.4 gives a summary of the designation of all respondents utilized in the study.

Table 4.4: Frequency of Terms of Service

<table>
<thead>
<tr>
<th>Designation</th>
<th>Frequency</th>
<th>Percentage(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary</td>
<td>2</td>
<td>3.7</td>
</tr>
<tr>
<td>Permanent</td>
<td>41</td>
<td>75.9</td>
</tr>
<tr>
<td>Casual</td>
<td>6</td>
<td>11.1</td>
</tr>
<tr>
<td>Contract</td>
<td>2</td>
<td>3.7</td>
</tr>
<tr>
<td>In-service</td>
<td>3</td>
<td>4.9</td>
</tr>
</tbody>
</table>

From Table 4.4, the terms of service of the respondents was also taken into consideration with the greatest percentage, (75.9%) being permanent employees. Casual employees were 11.1% while those on in-service constituted 4.9%. Those on contract made up 3.7% just like those employed on temporary terms who were 3.7% of the total workforce. This spread clearly indicates that the bulk
4.2.5: Length of Service of the respondents

Table 4.5 gives a summary of the level of experience of the respondents.

<table>
<thead>
<tr>
<th>Length of Service (Years)</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2</td>
<td>4</td>
<td>7.3</td>
</tr>
<tr>
<td>3 to 6</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>7 to 10</td>
<td>29</td>
<td>54.3</td>
</tr>
<tr>
<td>&gt;11</td>
<td>6</td>
<td>10.4</td>
</tr>
</tbody>
</table>

From Table 4.5, it is clear that with regard to length of service, 29 respondents (54.3%) had worked for the company for a period between 7-10 years, 15 respondents (28%) had served for between 3-6 years, 6 (10.4%) had worked with WakenyaPamoja Sacco for over 11 years while a meager 4 (7.3%) had worked for WakenyaPamoja Sacco for less than 2 years. From Table 4.5, it is clear that most of the respondents used in this study (54.3%) had worked for the organization for a period of 7-10 years thus had had enough exposure to aspects on non-financial compensation within the microfinance institutions in Kenya and more particularly at WakenyaPamoja Sacco –Kisii meaning that the information they would have given is reliable and/ accurate.

4.3 Non-financial Compensation Systems.

From the responses given, it became apparent that WakenyaPamoja Sacco – Kisii has been utilizing non-financial compensation to promote performance. This is because all the 54 respondents ticked ‘Yes’ (representing 100%) when they were asked whether their institution has put in place non-financial compensation systems.

4.4 Aspects of Non-financial Compensation

The research ascertained that WakenyaPamoja Sacco –Kisii used various aspects of non-financial compensation to promote performance. These aspects of non-financial compensation included: job design, better workplace environment, career development, training, participation and/ recognition. Table 4.6 shows the response of the respondents when queried about this.

4.4.1: Aspects of Non-financial Compensation Used at WakenyaPamoja Sacco – Kisii.

<table>
<thead>
<tr>
<th>Aspects of Non-financial Compensation</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>∑F_i</th>
<th>∑Kw_i</th>
<th>∑Fw/∑F_i</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Design</td>
<td>47</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>54</td>
<td>256</td>
<td>4.74</td>
</tr>
<tr>
<td>Better Workplace Environment</td>
<td>49</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>54</td>
<td>259</td>
<td>4.79</td>
</tr>
<tr>
<td>Career Development</td>
<td>44</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>54</td>
<td>256</td>
<td>4.74</td>
</tr>
<tr>
<td>Training</td>
<td>45</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>54</td>
<td>251</td>
<td>4.65</td>
</tr>
<tr>
<td>Participation and/ Recognition</td>
<td>47</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>54</td>
<td>259</td>
<td>4.79</td>
</tr>
</tbody>
</table>

From Table 4.6, the greatest number of employees strongly agreed that participation and/recognition (4.79) and better workplace environment (4.79) were aspects of non-financial compensation which were utilized by WakenyaPamoja Sacco to promote performance. The respondents also agreed that job design (4.74) and career development (4.74) were also used. The respondents also agreed that training (4.74) is a form of non-financial compensation which was equally utilized to promote performance within the microfinance industry.

4.4.2 The Extent to which Aspects of Non-financial Compensation Promote Employee Performance in Your Organization.

Table 4.7, gives a summary of the extent to which aspects of non-financial compensation promote performance at WakenyaPamoja Sacco - Kisii.
From Table 4.7, respondents agreed that four out of the five aspects of non-financial compensation given promoted performance to a very high extent: participation and/recognition (4.76), job design (4.69), training (4.67), and better workplace environment (4.59). Career development also promoted performance to a high extent (4.43). This outcome clearly shows that job design, better workplace environment, training, participation and/recognition, and career development contribute to better employee performance within the microfinance industry. The implication thus is that these aspects should be institutionalized to serve as an impetus and motivator for employees in their day to day performance in the microfinance industry.

The respondents agreed that non-financial systems contributed to better employee performance at WakenyaPamoja Sacco – Kisii. Table 4.8, summarized this.

Table 4.8: The Extent to which Respondents Agreed that Non-financial Systems Contribute to Better Employee Performance

<table>
<thead>
<tr>
<th>Non-financial Compensation</th>
<th>Very High Extent</th>
<th>High Extent</th>
<th>Average</th>
<th>Low Extent</th>
<th>No Extent</th>
<th>Σf</th>
<th>Σfwi</th>
<th>Σfwi/Σf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Design</td>
<td>46</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>54</td>
<td>253</td>
<td>4.69</td>
</tr>
<tr>
<td>Better Workplace Environment</td>
<td>41</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>54</td>
<td>248</td>
<td>4.59</td>
</tr>
<tr>
<td>Career Development</td>
<td>38</td>
<td>8</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>54</td>
<td>239</td>
<td>4.43</td>
</tr>
<tr>
<td>Training</td>
<td>44</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>54</td>
<td>252</td>
<td>4.67</td>
</tr>
<tr>
<td>Participation and/ Recognition</td>
<td>47</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>54</td>
<td>257</td>
<td>4.76</td>
</tr>
</tbody>
</table>

Table 4.8, shows the extent to which the respondents agreed that non-financial systems contribute to better employee performance at WakenyaPamoja Sacco - Kisii.

From Table 4.8, respondents strongly agreed that non-financial compensation promoted efficiency (4.69), contributed towards improved service delivery (4.63), and also enhanced effectiveness (4.54). On the other hand, the respondents agreed that non-financial compensation promotes profitability (4.44).

4.4.4 The Effectiveness of Non-financial Compensation Systems on Organizational Performance

The study undertook to determine the effectiveness of non-financial compensation systems on organizational performance at WakenyaPamoja Sacco - Kisii. Table 4.9, summarized this.
Table 4.9: The Effectiveness of Non-financial Compensation Systems on Organizational Performance.

<table>
<thead>
<tr>
<th>Effectiveness of Non-financial Compensation</th>
<th>Very Effective</th>
<th>Effective</th>
<th>Neutral</th>
<th>Ineffective</th>
<th>Very Ineffective</th>
<th>∑f</th>
<th>∑fw</th>
<th>∑fw/∑f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Design</td>
<td>38</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>213</td>
<td>4.84</td>
</tr>
<tr>
<td>Better Workplace Environment</td>
<td>41</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>216</td>
<td>4.91</td>
</tr>
<tr>
<td>Career development</td>
<td>37</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>212</td>
<td>4.82</td>
</tr>
<tr>
<td>Training</td>
<td>33</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>44</td>
<td>192</td>
<td>4.36</td>
</tr>
<tr>
<td>Participation and Recognition</td>
<td>34</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>44</td>
<td>202</td>
<td>4.59</td>
</tr>
</tbody>
</table>

Table 4.9 shows the effectiveness of non-financial compensation systems on organizational performance at WakenyaPamoja Sacco – Kisii. In line with the overall goal of this research, the study summarized the responses on the effectiveness of aspects of non-financial compensation on organizational performance. From Table 4.9, it is evident that better workplace environment is the most effective aspect of non-financial compensation at WakenyaPamoja Sacco – Kisii. Other compensation systems that were most effective are: job design (4.84) and career development (4.82), participation and/recognition (4.59). It was also established that training (4.36) was an effective way of compensating employees for better performance at WakenyaPamoja Sacco – Kisii. This outcome demonstrates that all the identified aspects of non-financial compensation were either effective or most effective meaning that the microfinance industry must utilize them fully in order to enhance performance.

4.5 Respondents’ Response on the Extent to which Non-financial Systems Contribute to Organizational Performance.

4.5.1 Managements’ Response on the Extent to which Non-financial Systems Contribute to Organizational Performance

The study summarized responses on the extent to which non-financial incentives contribute to organizational performance. The study sought to establish the extent to which non-financial systems contribute to organizational performance at WakenyaPamoja Sacco-Kisii. The responses were as indicated in Table 4.10

According to Table 4.10, it was clear that both types of non-financial compensation (according to the management) contribute towards better employee performance. From the data, the managers strongly agreed that non-financial rewards (4.7) and non-financial incentives (4.6) promote employee performance. This implies that the microfinance industry, more particularly WakenyaPamoja Sacco – Kisii must embrace these two forms of compensation in order to ensure better employee performance.

4.5.2 Employees’ Response on how Non-financial Compensation Systems Affect Performance Indicators

The study sought to establish how Non-financial Compensation Systems Affect Performance Indicators at WakenyaPamoja Sacco – Kisii. Performance indicators that were included are: profitability, efficiency, effectiveness, and improved service delivery.
Table 4.11: Employees’ Response on how Non-financial Compensation Systems Affect Performance Indicators

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>Very Effective</th>
<th>Effective</th>
<th>Neutral</th>
<th>Ineffective</th>
<th>Very Ineffective</th>
<th>(\sum f_i)</th>
<th>(\sum f_iw_i)</th>
<th>(\sum f_iw_i/s_i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>38</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>213</td>
<td>4.84</td>
</tr>
<tr>
<td>Efficiency</td>
<td>41</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>216</td>
<td>4.91</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>37</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>44</td>
<td>212</td>
<td>4.82</td>
</tr>
<tr>
<td>Improved Service Delivery</td>
<td>34</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>44</td>
<td>202</td>
<td>4.59</td>
</tr>
</tbody>
</table>

In line with the overall goal of this study, the study summarized the responses on the effectiveness of non-financial compensation systems on organizational performance. Table 4.11, shows that non-financial compensation is a very effective tool that contributes towards all performance indicators: efficiency (4.91), profitability (4.84), effectiveness (4.82), and improved service delivery (4.59).

4.6 Discussion of findings.

This study analyzed the effect of non-financial compensation on employee performance of micro-finance institutions in Kenya. Specifically, it established the different forms of non-financial compensation at WakenyaPamoja Sacco - Kisii, Kenya, determined how aspects of non-financial compensation promotes employee performance at WakenyaPamoja Sacco- Kisii, Kenya, found out how non-financial incentives contribute to better employee performance at WakenyaPamoja Sacco-Kisii, Kenya, and investigated the extent to which WakenyaPamoja Sacco - Kisii, Kenya has benefited from non-financial compensation.

Those in the age bracket of 41 years and above were the older members of staff who were mostly senior employees of the company. From Table 4.2, there was no respondent with either primary or secondary level education as their highest academic qualification. Those with diploma level education were 4 constituting (7.3%), 6 (10.4%) had a higher diploma, 29 (53.7%) had a degree and 15 (28.7%) had a masters. This clearly indicates that the microfinance industry employs people who are well educated considering the percentage of those with at least a degree (53.7%) and those who had attained a master’s degree at (28.7%). This finding correlate with previous research that found greater academic achievement in most segments of the Kenyan Society with the introduction of Free Primary education, Free Secondary Education and widening access to Higher Education Odhiambo (2016). Table 4.3 shows that 64% of the respondents were male while the remaining 36% were female. This big disparity was due to socio-cultural and economic factors which tend to affect the female population negatively in the society when compared to the male population. This outcome shows that the government and its relevant organs must work harder to bridge the gap between the male and female population with respect to exposure to relevant education. Table 4.4 captured data on the terms of service of the respondents. The data collected showed that the greatest percentage, (75.9%) were permanent employees. Casual employees were 11.1% while those on in-service constituted 4.9%. Those on contract made up 3.7% just like those employed on temporary terms who were also 3.7% of the total workforce. This spread clearly indicates that the bulk of the respondents were employed on permanent basis.

On the other hand, Table 4.5 showed the length of service the employees had served the organization. It indicated that 29 respondents (54.3%) had worked for the company for a period between 7-
10 years, 15 respondents (28%) had served for between 3-6 years, 6 (10.4%) had worked with Wakenya Pamoja Sacco for over 11 years while a meager 4 (7.31%) had worked for Wakenya Pamoja Sacco - Kisii for less than 2 years thus it became clear that the bulk of the respondents utilized in this study (54.3%) had worked for the company for a period of 7-10 years thus had had enough experience in the use and utilization of internal control systems for strategic performance.

On non-financial compensation systems, from the responses given, it became apparent that Wakenya Pamoja Sacco - Kisii had been utilizing non-financial compensation to promote performance. This is because all the 54 respondents ticked ‘Yes’ (representing 100%) when they were asked whether their institution has put in place non-financial compensation systems. From Table 4.6, the greatest number of employees strongly agreed that participation and/recognition (4.79) and better workplace environment (4.79) were aspects of non-financial compensation which were utilized by Wakenya Pamoja Sacco - Kisii to promote performance. The respondents also agreed that job design (4.74) and career development (4.74) were also employed at the institution. The respondents also agreed that training (4.74) is a form of non-financial compensation which was equally utilized to promote performance within the microfinance industry. The above findings concur with what had been noted in other related studies (Areri 2012, Atambo 2014 and Asiago 2015) all studies that found that inclusion of non-financial compensation in the form of incentives and recognition played a big role in motivating employees besides improving performance and retention of the same. From Table 4.7, respondents agreed that four out of the five aspects of non-financial compensation promoted performance to a very high extent: participation and/recognition (4.76), job design (4.69), training (4.67), and better workplace environment (4.59). Career development also promoted performance to a high extent (4.43). This outcome clearly showed that job design, better workplace environment, training, participation and/recognition, and career development contribute to better employee performance within the microfinance industry. The implication thus is that these aspects should be institutionalized within the microfinance industry more particularly at Wakenya Pamoja Sacco - Kisii to serve as an impetus and motivator for employees in their day to day performance in the microfinance industry. This concurs with previous literature by Armstrong et al (2011) who avers that non financial rewards such as employee recognition, participation, training and many others play a big role in motivating employees as well as enhancing employee performance and retention. These findings also support previous research by (Kluger & DeNisi, 1996, Jimenez, 1999, Baard et al, 2004 and Demot2012) all who variously found that intrinsic rewards are greatly valued by employees and greatly promote performance at work. From Table 4.8, respondents strongly agreed that non-financial compensation promoted efficiency (4.69), contributed towards improved service delivery (4.63), and also enhanced effectiveness (4.54). On the other hand, the respondents agreed that non-financial compensation promotes profitability (4.44).

In line with the overall goal of this research, the study summarized the responses on the effectiveness of aspects of non-financial compensation on organizational performance. From Table 4.9, it is evident that better workplace environment is the most effective aspect of non-financial compensation at Wakenya Pamoja Sacco - Kisii. Other compensation systems that were most effective are: job design (4.84) and career development (4.82), participation and/recognition (4.59). It was also established that training (4.36) was an effective way of compensating employees for better performance at Wakenya Pamoja Sacco - Kisii. This outcome demonstrated that all the identified aspects of non-financial compensation were either effective or most effective meaning that the microfinance industry must utilize them fully in order to enhance performance, as in the studies of (Nolan, 2012, Leila et al 2010 and Mirabella, 1999) who found that non-financial compensation is a much more esteemed and effective instrument in the work place than any known financial compensation regimen.

According to Table 4.10, it was clear that both types of non-financial compensation (according to the management) contribute towards better employee performance. From the data, the managers strongly agreed that non-financial rewards (4.7) and non-financial incentives (4.6) promote employee performance. This implies that the microfinance industry, more particularly Wakenya Pamoja Sacco - Kisii must embrace these two forms of compensation in order to ensure better employee performance. This finding is supportive of previous works and literature by Locke (2004) and that of Kohn (1993).

Accordingly, and in line with the overall goal of this study, the study summarized the responses on the effectiveness of non-financial
compensation systems on organizational performance. Table 4.11 shows that non-financial compensation is a very effective tool that contributes towards all performance indicators: efficiency (4.91), profitability (4.84), effectiveness (4.82), and improved service delivery (4.59). This agreed with Pryice et al (2011) and ABar, et al (2003) who both concluded that non-financial compensation is a much better tool to effectively marshal employee motivation and performance than the known financial packages at the work place. These finding further concur with the findings and literature of Tsutsumi & Kwakwami (2004), Delaney & Huselid (1996) as well as that of Stajkovic & Luthans (2001) and that of Dessler & Varkey (2011).

The findings in this study support the various theories of motivation which encourage the use of extrinsic rewards for motivating employees to higher levels of performance for the attainment of corporate goals (Schuler, 1998). The study findings point that a Sacco/Micro finance institution employees will exert effort if they expect it will result in an outcome that they value. This finding is consistent to the expectancy theory as advanced by Pearce and Perry (1983) which opine that in the case of the PBP, employees will work harder if they value non financial rewards and believe that those awards will result from their increased efforts.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter contains a summary of the findings conclusions and recommendations on the way forward to the effective use of Non-financial compensation in Micro finance Institutions to enhance the performance of employees in the said industry and particularly WakenyaPamoja Sacco – Kisii Kenya. The general Objective of the study was to establish the effect of non-financial compensation on employee performance of Micro finance institutions in Kenya. The study focused on WakenyaPamoja Sacco – Kisii Kenya. This chapter is divided into four sections, the first section is a summary of the research findings, the second is the conclusion, while the third are the researcher’s recommendations and finally are suggestions for further research.

5.1 Summary of the Findings.

5.1.1 Effect of non financial compensation on employees of Micro finance institutions in Kenya.
This study analyzed the effect of non-financial compensation on employee performance of micro-finance institutions in Kenya. Specifically, it established that different forms of non-financial compensation are employed by managements of Micro Finance institutions in Kenya, as was evidenced at WakenyaPamoja Sacco - Kisii, Kenya, the study also determined how aspects of non-financial compensation promote employee performance at Micro finance institutions in Kenya. The study found out that indeed non-financial incentives contribute to better employee performance in the Micro Finance Industry in Kenya, and that the industry has benefited from non-financial compensation.

5.1.2 Forms of Non-financial compensation employed at WakenyaPamoja Kisii Kenya.
On non-financial compensation systems, from the responses given, it became apparent that WakenyaPamoja Sacco - Kisii had been utilizing non-financial compensation to promote performance. This is because all the 54 respondents ticked ‘Yes’ (representing 100%) when they were asked whether their institution has put in place non-financial compensation systems. From Table 4.6, the greatest number of employees strongly agreed that participation and/recognition (4.79) and better workplace environment (4.79) were aspects of non-financial compensation which were utilized by WakenyaPamoja Sacco - Kisii to promote performance. The respondents also agreed that job design (4.74) and career development (4.74) were also employed at the institution. The respondents also agreed that training (4.74) is a form of non-financial compensation which was equally utilized to promote performance within the microfinance industry.

5.1.3 Determination of how Non-financial compensation promotes Performance at WakenyaPamoja Sacco – Kisii Kenya.
From Table 4.7, respondents agreed that four out of the five aspects of non-financial compensation promoted performance to a very high extent: participation and/recognition (4.76), job design (4.69), training (4.67), and better workplace environment (4.59). Career development also promoted performance to a high extent (4.43). This outcome clearly showed that job design, better
workplace environment, training, participation and/recognition, and career development contribute to better employee performance within the microfinance industry. The implication thus is that these aspects should be institutionalized within the microfinance industry more particularly at WakenyaPamoja Sacco - Kisii to serve as an impetus and motivator for employees in their day to day performance in the microfinance industry.

5.1.4 How Non-financial incentives enhance employee performance at WakenyaPamoja Sacco – Kisii Kenya

From Table 4.8, respondents strongly agreed that non-financial compensation promoted efficiency (4.69), contributed towards improved service delivery (4.63), and also enhanced effectiveness (4.54). On the other hand, the respondents agreed that non-financial compensation promotes profitability (4.44).

In line with the overall goal of this research, the study summarized the responses on the effectiveness of aspects of non-financial compensation on organizational performance. From Table 4.9, it is evident that better workplace environment is the most effective aspect of non-financial compensation at WakenyaPamoja Sacco - Kisii. Other compensation systems that were most effective are: job design (4.84) and career development (4.82), participation and/recognition (4.59). It was also established that training (4.36) was an effective way of compensating employees for better performance at WakenyaPamoja Sacco - Kisii. This outcome demonstrated that all the identified aspects of non-financial compensation were either effective or most effective meaning that the microfinance industry must utilize them fully in order to enhance performance.

5.1.5 The Extent to which WakenyaPamoja Sacco – Kisii Kenya has benefitted from Non-financial compensation of its employees.

According to Table 4.10, it was clear that both types of non-financial compensation (according to the management) contribute towards better employee performance. From the data, the managers strongly agreed that non-financial rewards (4.7) and non-financial incentives (4.6) promote employee performance. This implies that the microfinance industry, more particularly WakenyaPamoja Sacco - Kisii must embrace these two forms of compensation in order to ensure better employee performance.

Accordingly, and in line with the overall goal of this study, the study summarized the responses on the effectiveness of non-financial compensation systems on organizational performance. Table 4.2.11 shows that non-financial compensation is a very effective tool that contributes towards all performance indicators: efficiency (4.91), profitability (4.84), effectiveness (4.82), and improved service delivery (4.59).

5.2 Conclusion

The study concluded that indeed non-financial compensation promotes employee performance of micro finance institutions of Kenya especially those of WakenyaPamoja Sacco - Kisii Kenya. This study sought to assess the contribution of this study to knowledge based on the examination of the research topic in question and the improvement in the knowledge and understanding of the effect of non-financial compensation on employee performance of micro-finance institutions in Kenya, the different forms of non -financial compensation at WakenyaPamoja Sacco - Kisii, Kenya, how aspects of non-financial compensation promotes employee performance at WakenyaPamoja Sacco - Kisii, Kenya, how non-financial incentives contribute to better employee performance at WakenyaPamoja Sacco-Kisii, Kenya, and the extent to which WakenyaPamoja Sacco - Kisii, Kenya has benefited from non-financial compensation.

One of the theoretical contributions of the study is the comprehensive definition of non-financial compensation. The connection between financial compensation and non-financial compensation and how both affect employee performance in the microfinance industry has been drawn. The study clarifies aspects of non-financial compensation. Also, this study presents the different forms of non-financial compensation influencing employee performance. The study uses existing literature together with empirical material to produce more detailed concepts and insights on non-financial compensation and it therefore becomes clear that the microfinance industry employs non-financial compensation to motivate its employees thus enhance performance in the business prism. These aspects include job design, better workplace environment, career development, training, participation and/recognition. The point of departure for this study was the scarcity of knowledge about the effect of non-financial compensation on employee performance of micro-finance institutions in Kenya.

5.3 Recommendations.

The outcome of this study clearly showed that job design, better workplace environment, training, participation and/recognition, and career
development contribute to better employee performance within the microfinance industry. The implication thus is that these aspects should be utilized and institutionalized within the microfinance industry more particularly at WakenyaPamoja Sacco-Kisii to serve as an impetus and motivator for employees in their day to day performance in the microfinance industry.

This study therefore recommends that the microfinance industry conducts more research touching on non-financial compensation to ensure that there is enough information that will enable the industry to utilize aspects of non-financial compensation for better employee performance. Equally, the microfinance industry should set funds aside that will ease the utilization of these aspects for better employee performance. In summary, it is apparent that all these non-financial compensation aspects should therefore be improved, utilized and institutionalized to ease management and decision-making thus, in the end, translate to better employee performance.

5.4 Suggestions for Further Research

This study recommends that further research should be done to furnish the microfinance industry with more information on how best non-financial compensation would be utilized for better results and better employee performance in the microfinance industry. On the other hand, a study should be conducted to establish how non-financial compensation would be employed and fully systemized to maximize accruing benefits and drive strategic business growth in the microfinance industry and in any other competitive industry in the ever-changing business world.

References


[65] Oliver, R. (1974) Expectancy is the probability that the individual assigns to work effort being followed by a given level of achieved task performance: Expectancy Theory prediction of salesmen performance. JOURNAL of MARKETING RESEARCH vol. 11 pp 243 - 253


