ASSESSING THE RELATIONSHIP BETWEEN FINANCIAL COMPENSATION AND TURNOVER INTENTION OF EMPLOYEES IN AWASH WINE SHARE COMPANY

By

Bruk Sisay

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

ST. MARY'S UNIVERSITYCOLLEGE
SCHOOL OF GRADUATE STUDIES
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DECLARATION

I, the undersigned, declare that this thesis "ASSESSING THE RELATIONSHIP BETWEEN FINANCIAL COMPENSATION AND TURNOVER INTENTION OF EMPLOYEES IN AWASH WINE SHARE COMPANY" is my original work, prepared under the guidance of Shoa Jemal (Assistant Professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Bruk Sisay ______________

Name Signature

St. Mary's University College, Addis Ababa, June 2023

ENDORSEMENT

This thesis has been submitted to St. Mary's University College, School of Graduate Studies for examination with my approval as a university advisor.

______________________________ ____________________

Advisor Signature

St. Mary's University College, Addis Ababa, June 2023

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Abstract

The aim of this study was to assess the relationship between financial compensation and the turnover intention of employees in Awash Wine Share Company. Quantitative research approach followed by correlation research design was utilized. Lottery method of probability sampling technique was employed to select the respondents. A self-developed close-ended questionnaire, with five points of Likert scale was administered for 150 respondents. Percentage, mean, standard deviation, Person correlation and multiple regression were used as data analyses techniques. The results revealed that the majority of the respondents were not sure about the presence of financial compensation policy (Grand Mean = 2.87, SD = .814), and they seemed not to have good impression toward the existing financial compensation policy as the grand mean value was slightly below neutral (Grand Mean = 2.90, SD = .839). Moreover, there is significantly negative correlation between financial compensation (base pay, overtime pay, allowance pay, commission pay, merit pay, and bonus pay) and turnover intention of employees in Awash Share Company. Furthermore, a stepwise multiple regression analyses found that the financial compensations can influence the turnover intention to an extent of 26.7 % (R square, which is statistically significant at p< .01). However, the regression coefficient value indicted that only two financial compensations namely, bonus pay (18.2%) and commission pay (9.8%) explain significant influence on the intention of employees to leave the case company. In conclusion, there exists significantly negative correlation between financial compensation and turnover intention of employees. Designing appropriate compensation policy which focuses on a variety of financial compensation was a forwarded recommendation so as to reduce the turnover intention of employees in the case company.

Key words: Compensation policy, Financial Compensation, Turnover, Turnover Intention

CHAPTER ONE

INTRODUCTION

This part of the study deals with the introduction of the study which comprises background of the study, statement of the problem, objective of the study, significance of the study, scope of the study, operational definition of variables and organization of the study.

1.1. Background of the Study

There is a large amount of research about turnover intentions and the why's and how's over the centuries. Studies have been conducted in different countries, industries, time, levels of workers and many other criterions. According to (Harvey, 2013), globalization and growing competition among companies has resulted in battle for talents in which companies compete for the recruitment and retention of talented employees.

Employee turnover is a part of normal business activity; employees come and go as their life situations change. Employers realize this and, indeed, large firms typically have entire departments devoted to the management of human resources in order to make the transition as painless as possible for both management and employee and to minimize the associated hiring and training costs. In smaller firms, however, each individual incident of employee turnover has a relatively larger effect on the firm; in a ten-employee firm, the loss of one employee translates into a 10 percent turnover rate. Therefore, loss can put a strain on the firm's ability to do business. Small firms also have a higher failure rate than large firms and this adds to the employee's side of the risk equation. To mitigate these and other detrimental employment characteristics of small firms, economic theory posits that small businesses should have to pay higher wages than large firms. Empirically, however, we observe that they pay significantly less amount (Achoui and Mansour, 2007)

Companies today routinely provide a compensation package that includes both cash benefits (salary, paid leave, paid holidays and bonuses) and non-cash or deferred cash benefits (insurance and retirement plans). Small businesses are expected to be at a competitive disadvantage to larger firms in terms of their ability to match the high salaries and availability of fringe benefits. According to Achoui and Mansour (2007), compensation is the total reward that employees receive in exchange for a service performed in an organization. It can include direct pay (salaries and wages) and indirect pay (benefit programs). The types of compensation are base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, travel/meal/house allowance, and benefits including dental, insurance, medical, vacations, retirement and taxes. Compensation is the most crucial issue in attracting and keeping talent. Inadequate reward, lack of recognition from managers, peers and customers enhances labor turnover. Employees need to be given opportunities to participate and to influence actions and decisions.

The initiative of this study, therefore, is to assess the relationship between financial compensation and turnover intention of employees in Awash Wine Share Company (AWSC).

1.2. Statement of the Problem

In today’s business environment, employee turnover has become a serious problem because it brings financial and moral impacts on the organizations scarce resources. It can be harmful to a company’s efficiency if skilled workers often leave the organization (Armstrong, 2009). Today, business organizations find difficulty to retain well performing, experienced, and soundly trained employees as a result of turnover (Abdullah, 2017). Thus, the efficiency of many organizations has been threatened by huge costs/expenditure incurred on recruitment and selection of new staff to replace the work force gap created by the leaving employees (Premeaux 2000).

Research conducted in different organizations reveal that low salary and poor management systems are some of the serious and major cause for employee to quit their jobs. In this regard, Zuber (2001) argues that employees are more likely to stay with an organization when their salary scales, benefits, good management style, career growth prospects, good working environment are guaranteed. Aman (2015) conducted his research on Oromia Water Works Design and Supervision Enterprise terms of employment, favorable government policy, an external market, lack of result-oriented promotion and motivation, working environments and conditions are factors affecting employee's turnover of the organization. Yared (2007) also conducted his study on International Rescue Committee (nongovernmental organization) that the causes of turnover are a combination of factors which includes family problems, poor leadership, dissatisfaction with job, better opportunity in external market, and dissatisfaction with work place. Yezina (2014) concluded that salary, benefit package, poor management, better job opportunity, promotion and poor managerial relations are combination factors of employee's turnover of the organization.

Although financial compensation is of great importance to minimize employees' turn over intention to leave their job, to the best knowledge of this researcher, research findings related to financial compensation and employees' turnover in AWSC seem to be scarce. The initiation of this study is, therefore, to investigate insights about the relationship between financial compensation and turnover intention of employees in AWSC. As a result, the study formulates the following basic questions:

1. Does the company have a financial policy on minimizing turnover intention?
2. What is the employees' attitude towards financial compensation policy of the case company?
3. What are the major financial factors that contribute on employees' turnover intention in the case company?
4. Which financial compensation factor exerts more influences on employee turnover intention in the case company.

1.3. Objectives of the Study

1.3.1. General Objective

The overall objective of this study is to examine relationship between financial compensation and turnover Intention in AWSC employees.

1.3.2. Specific Objectives

The specific objectives of this study are to:

1. Assess whether AWSC has financial compensation policy,
2. Assess the attitude of employees towards the financial compensation policy,
3. Identify the major financial compensation factor that exert influence on the turnover intention of employees,
4. Investigate the relationship between financial compensation (base pay, overtime pay, allowance pay, commission pay, merit pay and bonus pay) and the turnover intention of employees,
5. Suggest possible solutions to AWSC to design and practice financial compensation strategies so as to reduce (mitigate) the turn over intention of its employees.

1.4. Significance of the Study

The result of this study may provide great significance to various researchers who involve in studying the relationship between financial compensation and employees' turnover intention. Its findings will have also great importance for the management of the AWSC to understand the effects of employee turnover and to be aware with the best staff retention strategies to manage high staff turnover rates. In brief the findings of this study:

1. Will provide background information for future studies i.e., the study will provide some insight and serves as a supplementary source of information for those people who deal with the relationship between financial compensation and employee turnover intention and who want to conduct detail study on the same topic,
2. Can assist that the AWSC management in capturing adverse labor turnover effect which could affect their organization effectiveness and efficiency,
3. Can reduce the challenges of employee turnover by designing strategies and increase their productivity and efficient service in their current company.

1.5. Scope of the Study

Scope of the study can include geographical location, target population, conceptual framework and methodology of the study. It is definitely difficult for a single researcher to cover wide area due to limitation of finance, manpower, and time. It is, there, advisable to a researcher to carry out a study by taking account of these factors. And hence, the geographical location of this study was delineated in AWSC, and the target population was employees in AWSC.

In research, conceptual framework provides guidance to the researchers. Fundamental concepts to the topic to be studied are illustrated in the conceptual framework. It also vividly shows the relationship between variables (i.e., independent and dependent variables), or cause and effect relationships of variables. The basic conceptual framework of this study was there is a negative association between financial compensation and turnover intention of employees.

The methodology of the study is the basic part of a study. It refers to proper methods and techniques a researcher uses. Based upon the problem/topic to be investigated and the variables to be tested, a researcher is required to apply appropriate research methodology. This study was mainly framed in quantitative research approach, and correlation research design. Moreover, frequency, percentage, mean, Standard deviation, Pearson correlation and multiple regression analyses were used as a method of data analysis techniques.

1.6. Limitation of the study

The inquirer tried to use unlimited efforts to complete this study. I was pursuing my master's degree while I was working my regular work in the organization which I have been recruited to work. I encountered a delay to completed my thesis work due to time constraint. The main challenge that I faced in working my thesis was, therefore, lack of time.

1.7. Operational Definition of Variables

In this research study the variables such as: financial compensation, turnover, and turnover intention are explained well here under.

Financial Compensation: Refers to the total amount of all financial compensation and the mix of other rewards/benefits that employees receive from their employer (Murphy and Williams, 2004)

Turnover: Refers to people coming into and people moving out of an organization during a defined period (SHRM 2016)

Turnover intention: Involves in a conscious and deliberate willingness to leave the organization (Ma and Trigo, 2008)

1.8. Organization of the Study

The structure of this study was carefully organized into five chapters. In the first chapter, the inquirer introduces background, statement of problems including basic research questions, objectives, hypotheses, significance of the study, scope of the study, and definition of key terms. The second chapter deals with review of literature. The third chapter is devoted to research methodology. Chapter four is dedicated to data organization, presentation, analyses and interpretation. The final chapter comprises of outlines of summary, major findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

This section is dedicated to present theoretical and empirical evidence that helps to be a base for the problem to be investigated. It provides theoretical and empirical evidence in relation to the problem of the study. The theoretical literature presents the definition of terms and basic concepts vis-à-vis the variables of the study to be investigated. The empirical literature shows research results that were scrutinized by previous inquirers in particular emphasis to the relationship between financial compensation and turnover intention of employees.

2.1. **Definition and Concept of Compensation**

The terms "compensation" and "reward" are used differently by different academics. Compensation, according to Mary et al. (2015), can be defined as any form of payment that an employer gives to its employees. Total compensation, according to Murphy and Williams (2004), is the total amount of all financial compensation and the mix of other rewards/benefits that employees receive from their employer. Fixed pay, variable pay, short-term incentive pay, and long-term incentive pay are all part of this system, which is tied to various measures of performance. Employers used a variety of compensation and benefit packages or practices to keep their workers because organizations recognized compensation as a key motivator for employees, as an important tool and as an expense for organizations in order to exist for a long period of time" (Popoola and Ayeni, 2007). It's critical for human resources professionals to integrate compensation issues into overall corporate and HR-level strategies. Achieving organizational goals and deterring professional employee turnover will be possible if these strategies are well integrated.

2.2. Definition and Concept of Turnover

Employee turnover refers to people coming into and people moving out of an organization, that is, as the rate of change in the working staff of an organization during a defined period (SHRM 2016). Usually, the term refers to what is sometimes called voluntary employee turnover which is the normal turnover as opposed to people being fired in unusual situations (Mattsson&Saraste, 2002).

Similarly, Rossano (1985) defined turnover as voluntary decision to leave or termination of participation in employment from an organization, excluding retirement or pressured voluntary withdrawal, by an individual who received monetary compensation from the organization. Hope and Mackin (2007) supported this idea by defining employee turnover as part of normal business activity that implies employees join the organization or the employer and separate from the organization as their life situations change.

Abassi et al. (2000) also explained turnover as the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment. Besides, Clifford (2012), briefly states that turnover is any departure beyond organizational boundaries. This indicate that the separation of employee from the employer by any means.

The term “turnover” is defined by Price (1977) as the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period.

Deepa and Stella (2012), supported this definition by defining the term as “employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees”. It means that the assessment of the number of workers an organization should substitute during a given time period to the existing number of workers in an organization. In general, employee turnover is commonly defined as the entry and exit of individuals into and out of the working force of the organization over a specific period of time.

2.3. Compensation policy

According to (Bryant & Allen, 2013), compensation structure, compensation procedures, types of compensation, the perceived fairness and equity in compensation and linking compensation and benefits vesting schedules to tenure have a positive effect on employee retention. According to Bhojak and Shakdwipee (2014), employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. It refers to the ability of an organization to retain its employees. The organization should clearly define its compensation policy, which must contain the criteria for establishing basic pay, incentives and benefits, and other sorts of perquisites to various levels of employees, in order for compensation administration to function properly. Gerhart (2014) proposed that organizations should have appropriate compensation policies in order to attract a large number of talented people and retain them for a long time. The organizational philosophy about human resources and strategy should be connected to the policy. Organizations must create policies as basic principles to ensure coordination, uniformity, and justice in employee compensation (Dessler,1994). There should be a clear policy on matters relating to compensation, including how connected issues are computed and when, what, when, and how they pay. Other compensation policies, according to (Dessler, 1994), include the amount of vacation and holiday pay, the overtime pay policy, the frequency of payment (e.g., weekly, bimonthly, monthly), etc. Fair compensation policy is very important for both employer and employees.

2.4. Strategies to Minimize Employees Turnover Intention

It is a known fact (Andrews & Mohammed, 2020) that retaining your best employees ensures customer satisfaction, increased product sales, satisfied colleagues and reporting staff, effective succession planning and deeply imbedded organizational knowledge and learning. Both financial and non-financial compensation strategies are equally important to make employees continue working in an organization for a long period. Retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Both monetary and nonmonetary incentives are effective strategies for reducing employee turnover intention (Andrews & Mohammed, 2020).

Financial compensations

Financial compensation is a form of remuneration that either directly or indirectly improves an employee's financial situation (Decenzo et al., 2007). Financial rewards, according to Bowen (2000), are any direct or indirect payments that improve an employee's wellbeing or make them financially secure so they can fulfill their material desires. According to Dessler (2008), financial payments are based on equity, which he defines as the treatment of employees fairly. This could be internal equity, where workers are compensated fairly for the value of the activities they perform within the same company, or external equity, where workers in one company are paid similarly to those performing identical tasks in another. Pay, compensation, and benefits (Andrews & Mohammed, 2020) are effective in helping to reduce employee turnover. According to Osibanjo et al. (2014) and Casio (2003), financial compensation would be an asset because it helps reduce employee turnover intentions and retain professional and experienced employees of an organization.

Non-financial Compensations

Non-financial compensation are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. Non-financial compensation schemes are aimed at moral motivation to serve in the interest of the community.

Recognition and rewards: Employees feel valued by their leaders when they receive recognition and are rewarded for their performance. Recognition helps to reduce employees' intentions to leave their organization (Andrews & Mohammed, 2020). Giving benefits and rewards (Bhojak & Shakdwipee , 2014) make feel employees happy to work for longer period in an organization. An employee needs to be appreciated. Since employees generally want to do a good job, it follows that they also want to be appreciated and recognized for their works (Bennett Conlin, 2019). Otherwise if employee's feelings of not being appreciated, they could want to leave the job. Together with this factor, inadequate or uninspiring supervision and training is also a reason for leaving a job. Employees need guidance and direction. New employees may need extra help in learning an unfamiliar job. Similarly, the absence of a training program may cause workers to fall behind in their level of performance and feel that their abilities are lacking (Christine Muiruri, 2012).
Promotion or advancement: Promotion refers to assignment of an employee to a higher level job within an organization' (Masri, 2009). Opportunity for advancement or growth is a strategy to reduce employees' turnover intention. When employees perceive no growth for future or desire to advance within the system, they have no reason to remain in the current work situation. If employees are not properly promoted, they will leave the organization.

Job Satisfaction is the other factor that pays to employee turnover. Here, job satisfaction refers to the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values (Ping He, 2008). Aziri (2011), Hulling and Dalai, (2009), also explained that it is a multi-dimensional psychological response to one's job that have cognitive and emotional components revealed by outward (verbalized) and inward (felt) emotional responses. The multi-dimensional responses can be ranged along good or bad, positive or negative phenomenon.

Leadership (Supervision) styles: is also crucial reasons given for staying in an organization. According to Rosse (2010), the coordination between managers or supervisors with their subordinates may create impact on employee turnover. It depends on the employee's satisfaction with their supervisors and also the communication skills of supervisors to handle their subordinates (Abdali, 2011). Employees are trusted in how they manage their own time and outputs and they have access to parts of the business previously reserved for management such as strategic, tactical information, and profit. Organizations should consider providing leadership training to all supervisors and managers and should hold leaders accountable for retention (Bryant & Allen, 2013).

Peer Group: According to Abdali (2011), strong relation among the work group, integration, and satisfaction with the coworkers decreased turnover. Thus, well-built peer group relations are distant cause of turnover and also a source of job satisfaction that the organization can reduce turnover. Employees linked by positive relationships with others in the organization are less likely to quit (Bryant & Allen, 2013).

Working environment: Employees want to stay within the organizations just have of clean and healthy environment. Since employees prefer to work in environment which suitable for their live, and working environment is one of the main causes that influence employees to decide on whether to continue or to leave the organization (Martin, 2014). Further, if working conditions are inferior or the workplace lacks important facilities such as proper lighting, furniture, restrooms and other health and safety provisions, employees will not be willing to put up with the inconvenience for long time (J Burton, 2009).

Therefore, working conditions play vital role to increase job satisfaction and organizational commitment in the labor force community which result in low turnover intention.

Job scope (work assignment) : Job scope refers to the density of the job and challenges of the job contents and when it is large and complex, it leads to high satisfaction of employees in that organization (NonoAyivi Guédéhoussou, 2016). In this sense, when employees are satisfied with the works of the organization, it resulted in the reduction of turnover intention. Logically, employees who consider engage in their jobs, psychologically, acknowledged with their jobs, may feel bound to jobs (Abdali, 2011). This implies that when employees are assigned to the position according to their profession and specification, they are more interested and satisfied with their work, and the working environment becomes clear for employees to accomplish intended organizational objectives and objective accomplishment lead to job satisfaction (Ovidiu-IliutaDobre, 2013). Besides, a bad match between the employee's skills and the job underutilized may become discouraged and quit the job.

Characteristics of the job: are also a reason for employees turn over in an organization. Some jobs are intrinsically more attractive than others. According to Manisha Purohit (2016), a job's attractiveness will be affected by many characteristics, including its repetitiveness, challenges, danger, perceived importance and capacity to elicit a sense of accomplishment. In this regard, Curran (2012) explains that Individuals will be satisfied with the job when their expertise, abilities, knowledge and skills are fairly utilized by the organization and when the organization grants opportunities.

2.5. Review of Theoretical Literature

This section is dedicated to make a brief glimpse on the theoretical evidence of a wide range of compensations that organization can benefit their employees. The theoretical aspects of turnover and turnover intention are also precisely presented.

Organizations use various compensation practices (schemes) to get the best out of their employees and to keep the most productive ones. Odunlade (2012) defines compensation as a combination of salary/wage, benefits, financial incentives, and nonfinancial rewards. In addition, Armstrong (2007) and Casio (2003) distinguished between direct (financial) and indirect (non-financial) compensation.

2.5.1. Financial Compensation

According to Armstrong (2007), financial compensations are those that are tangible and unrelated to the employee's job. Wages, salaries, incentives, commissions, and bonuses are examples of direct financial benefits (Dessler, 2008). According to Dessler (2008), "direct financial rewards" are payments made to employees that directly improve their financial situation. Financial compensation can include: base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, travel/meal/house allowance (Chepchumba & Kimutai, 2017). Incentives for sales people might take the form of commissions, straight salary, or a combination of the two

(Dessler, 2008). Commission only functions effectively when staff members are not engaged in non-selling tasks and sales performance is dependent on capacity to sell. While the allowances may be for overtime, shift work, or an increase in the cost of living, the standard rate may be paid hourly, weekly, monthly, or annually. This offers a clear financial incentive, draws in top-notch sales personnel, and ensures that selling costs vary directly with volume.

Base/Basic pay, often referred to as membership-based compensation, is the wage that determines the rate for a position and may vary depending on the job's grade or, in the case of manual laborers, the degree of skill necessary (Armstrong, 2008). In addition to legal (government rules), union (staff labor relations), company policy (company strategic purposes), and equity (internal and external/market comparisons), there are other elements that affect base pay (Dessler, 2004). The value of the work and individual negotiating power are two additional criteria, according to Chruden and Sherman (1980). Armstrong (2008) asserts that basic pay is typically represented as a standard rate with allowances. According to DeNisi and Griffin (2008), wages refer to hourly pay paid to operating personnel based on time worked, whereas salaries refer to money paid to an individual based on performance or position maintained.

Pay-for-performance plans (PFP) often referred to as Merit pay, are the most widely practiced financial compensations by both small and large business organizations in the world. Depending on the various pay practices and regulations used by various organizations, the level of pay-for-performance for any particular pay form often varies. The amount of pay-for-performance should affect future job performance levels, not just that pay-for-performance should be linked to higher future work performance (Park & Sturman, n.d.). They also underscore the potential effects of these three forms of PFP—merit pay, bonuses, and long-term incentives—in terms of their effect on future employee performance levels.

According to Dransfield (2000), performance-related pay is now the dominant option and automatic increments within defined pay ranges have mostly disappeared. Financial incentives, according to Dessler (2008), are payments given to employees whose output meets or surpasses a predetermined benchmark. According to Bowen (2000), performance-based rewards are advantages that are given based on a worker's capacity for performing their job duties.

In contrast to merit-based salary increases, Armstrong (2010) believes that lump sum merit awards offer financial compensation for an individual's job performance, leading to higher employee retention. This is a good approach to give people financial acknowledgment, especially those whose basic salaries are already quite high. The annual pay review period is typically when the lump sum merit award is paid out, and it must be earned again each year.

Some of the incentives were defined by Dessler (2008), including the piece work plan, which is a method of remuneration based on the number of things a worker processes in a given amount of time. When an employee performs better, they are given merit pay as an incentive, often known as a merit raise, which increases their base pay. Merit pay options are one-time, short-term bonuses that are awarded to people in honor of improved performance without increasing their base salary. It is a reward for prior work-related actions and successes (Dessler, 2008). It is frequently offered as a one-time payment or as base pay increases. Merit programs are frequently created to pay out different amounts based on the performance level.

Monetary reward has been defined in such a way like cash or equivalent (includes fringe benefits, medical facilities and provident fund) that an employee receives against his services from the employer helps to raise job satisfaction and likewise suite for minimizing the intent to leave the job (Naas, Raman and Siraji, 2009).

2.5.2. Turnover

There are a few commonly accepted types of employee turnover. Voluntary and involuntary turnover are the first two types of employee turnover. Voluntary turnover occurs when employees leave an organization on their own accord. The employee's choice initiates turnover, according to this definition. It means that the employee has the option to quit or that turnover began at the employee's request. Voluntary turnover is defined by Katamba (2011), Ronra and Chaisawat (2009) as when an employee decides to end or discontinue their relationship with their employer for personal or professional reasons, or when they are dissatisfied with the circumstances of their current job and have an attractive alternative from another organization. Thus, it is a voluntary phenomenon indicating an individual's self-initiated and permanent termination of membership in an organization. Similarly, Reiche (2008), Nawaz, Rahman, and Siraji (2009) present that voluntary employee turnover occurs when an employee leaves a company on his own volition due to a better job opportunity, existing job dissatisfaction, poor working conditions, or negative supervisor behavior. This indicates that voluntary turnover is caused by better job opportunities in other organizations, existing job dissatisfactions due to various factors in the current organization, such as poor working conditions and unenthusiastic manager behavior in the current organization.

Involuntary Turnover on the other hand is somehow opposite to voluntary turnover. Mathis, J.E. and D.M. Jackson (2004), Allen, D.G., L.M. Shore and R.W. Griffeth (2003) and Curran (2012), explained that this type of turnover occurs when manager of the organization decides to terminate the relationship between employee and employer comes to an end and is initiated by the employer. In this case employees have no choice in their termination (Abdali, 2011). The reason may be because of organizational bankruptcy or a poor fit between the employee and the organization, desires to decrease costs, introduction of new technology, and organizational restructure. (Ronra and Chaisawat, 2009).

In relation to this Nikunj Patel (2010) presented there are two basic types of involuntary termination: "dismissal" and "layoff." Dismissal refers when the employer's choice to let the employee leave, generally for a reason which is the fault of the employee; and layoff is usually not strictly related to personal performance, but instead due to economic cycles or the company's need to restructure itself, the firm itself is going out of business, or due to a change in the function of the employer (SonthyaVanichvatana, 2010).This kind of turnover includes retirement, death, and dismissal, as well as resigning to take care of a lethally ill family member or movement of a spouse to another area (Boxall, P. & J. Purcell, 2003).

The other kind of employee turnover is avoidable and unavoidable turnover. Murray, Barrick and Ryan D. Zimmerman (2005) explained avoidable turnover as it is a kind of turnover that happens in avoidable circumstances; here the organization first of all understands the causes of the turnover then can take corrective action to avoid it. With regard to this kind of turnover organizations can prevent by hiring, evaluating and motivating their employees more effectively (Riia O'Donnell, 2019). For example, if the reason of the turnover is poor working procedure, the management of the organization can avoid the turnover by improving the working procedures. On the other hand a turnover that happens in unavoidable circumstances is called 'Unavoidable Turnover. It results from life decisions that extend beyond an employer's control, such as a decision to move to a new area or a job transfer for a spouse, death, permanent disability, and regular retirements and likes

(Anantha Raj A. Arokiasamy2013).These kinds of turnover cannot be controlled by the management of the organization(Curran, 2012).

Functional and Dysfunctional Turnover is also the other type of employee turnover. According to Abdali (2011), a turnover in which poor performers leave is explained as functional turnover while a turnover in which good performers leave is known as dysfunctional turnover. In case of functional turnover the poor performer employee can leave the organization in any means and this is because, the poor performer employees can be invaluable for the organization (Abebe Techan, 2016). When these poor performer employees leave the organization, the company can be benefited by cutting unnecessary costs that incurred for that poor performer employees. But, in case of dysfunctional turnover, when good performer employees leave the organization it negatively influences the organization by losing employees who benefit that organization (Blen Asegid, 2018).

The other type of classification is ‘internal or ‘external’ type of turnover. When employees of the organization move from one position to another position or from one department to another department or within the same organization, the employee leaves the position or the department and the movement is known as internal turnover (Sarah K. Yazinski, 2009). It is related with the internal recruitment where organizations filling the vacant position by their employee, employees send-off their current position and getting a new position within the same organization. On the other hand, external turnover is defined as the separation of employees and employer and it can be voluntary or involuntary (Anantha Raj A. Arokiasamy, 2013).

Turnover also classified as skilled and unskilled turnover. In relation to this classification, when inexperienced, unqualified, inexpert, and untalented employees leave the organization, the turnover is termed as unskilled turnover (AyantuShiferaw, 2018). In case of unskilled turnover, without the organization or business incurring any loss of performance, employees can generally be replaced and the positions often face high turnover rate (Siddhartha Sarkar, 2014). Employers do not worry about unskilled employee turnover because of the ease of hiring new ones (C.M.AtiqurRahman. 2017).

Skilled turnover on the other hand refers to the situation of skilled and educated professionals leave the organization (Abdali, 2011). It may create a risk to the organization while leaving employees. High turnover of skilled employees pose a risk to the business and ultimately in the organization in the form of human capital lost and leads for incurring replacement costs as well as competitive disadvantage of the business (Emeka and Ikemefuna, 2012).

2.5.3. Turnover Intention

Scholars have proposed numerous definitions for the term turnover intention over years in order to create better understand to readers. In addition to this many literatures used turnover intention and intention to quit interchangeably. According to Ma and Trigo (2008), turnover intention is a conscious and deliberate willingness to leave the organization. Turnover intention is a mediating factor between attitudes affecting the intent to quit and actually quitting an organization (Glissmeyer, 2012). As per Memon et al., (2016), turnover intentions is defined as a tendency or level of attitude whereby an employee having the possibility to leave the organization or resign voluntarily from his work. It is a final step before an employee actually leaves the organization. Sutanto and Gunawan (2013) defined turnover intention as "the results of individual evaluations regarding the continuation of his or her relationship with a company that has not been realized in action to leave the company". Chen and Francesco (2003), concluded that there are four indicators for measuring turnover intention i.e the mind to exit, the desire to seek other jobs, the desire to leave the organization in the future, and the feeling that there is no future if it stays in this company. Thus, as cited by Choi et al. (2012) it is important for HRM to overcome employees' turnover intention which is a step back from the actual turnover. Thus, in order to keep qualified and experienced employees, organizations including banking are looking for better ways to help their employees to be more productive and satisfied in their work place.

It is known that employee turnover is expensive from the view of the organization and has some significant effects on organizations (Cantrell and Saranakhsh, 1991; Dyke and Strick, 1990; DeMicco and Giridharan, 1987; Denvir and Mcmahon, 1992). In relation to its effect, it is observed that in the United States estimated at $40 billion a year, in Canada $12 billion and in Germany DM 60 billion and South African organizations millions of Rends is Staff turnover costing in decreased efficiency (Robbins, 2003).

In relation to this, Page (2001) also illustrated that; a major concern for businesses is the increase in the rate of labour turnover which is affecting organizational performance. Gardner (2009) further asserts its devastating effects on service rendered by the organization and these may bring deficits in meeting customer demand leading to customer irritation and increase in complaints. Staff turnover is costly that it reduces the output and disruptive (Steers, 2002). This is true in banking industry as staff turnover causes the organization to lose a lot of money.

Labor turnover represents a migration of human capital from organizations and the subsequent replacement process entails manifold costs (Fair, 1992). Replacement costs include search of the external labor market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to the individual who quit (John, 2000). The costs of recruiting and engaging new members of staff affects the direct costs like advertising, agency fees, paper work and interview time (Mullins 2005). Turnover has many hidden or invisible costs and these invisible costs are result of incoming employees, co-workers closely associated with incoming employees and with departing employees and position being filled while vacant (Philips, 1990). Besides the issue also articulated by Robbins and Decenzo (2001) as hidden or indirect costs, like the expenses incurred in training and supervising new entrants, as well as those they are replacing and overtime that may have to be paid during staff shortages. In addition to these replacement costs, output would be affected to some extend or output would be maintained at the cost of overtime payment. Increased wastage and losses also are the other costs while new staff settles in.

The effect of turnover on customer service and satisfaction might be a delay of service delivery while waiting for the replacement staff to arrive (Kemal et al., 2002). This supported by the explanation of Ziel and Antointette (2003) that there might be production losses while assigning and employing replacement staff. Often the organization experiences a waste of time due to inexperienced replacement of staff.

The effect of employee turnover results in an extra work load for the remaining staff member's performance and on organizational effectiveness (VuyisileMabindisa, 2013). The morale of staff may be lowered because work overload, overtime work, substitute personnel and working with fewer staff than required is problematic (Lydia OongeMokaya, 2014). This causes an increase in errors during the performance of activities and results in poor service. That might lead to lost revenue from sales not made, the loss of customers who fled to competitors for better service (Page 2001). The increased workload leads to low morale and high levels of stress which in turn leads to absenteeism amongst employees. With regard to this Neo, Hollenbeck, Gerhart and Wright (2006) explained that it can have a negative impact on other employees by disrupting group socialization processes and increasing internal conflict. Many researchers argue turnover should be managed properly to avoid the negative effects on remaining employees' morale, which may influence them to leave and on the profitability of organizations (Hogan, 1992; Wasmuth and Davis, 1993; Barrows, 1990).

2.5.4. The relationship between Financial Compensation and Turnover Intention

An organization's compensation policy can influence employees' intentions to leave in a positive or negative way. Financial compensation would be an asset because it helps reduce employee turnover intentions and retain professional and experienced employees of an organization.

According to Gurbuz (2009), compensation impact on turnover intention can be controlled or not. Adeniji and Osibanjo (2012), on the other hand, explained that financial have an impact on all employees in an organization. Furthermore, he concluded that developing a reward scheme is an important exercise in compensation administration because it influences employee satisfaction and the intention to leave an organization. According to Saeed et al. (2014), employee compensation can improve job satisfaction and encourage employees to stay with the company for a longer period of time. Hofmans (2013) also concluded that employees want to stay with the organization if they are properly rewarded and recognized, but they may leave if they are not adequately rewarded. Snelgar et al. (2013) discovered that the various aspects of the reward system contained many key variables that influenced employee turnover intention most. There are five major factors that influence employee turnover intentions, two of which are promotion and salary. Terera and colleagues (2014).

Further, monetary rewards) is important factor to deal with job employee turnover. Employees demand an appropriate level of compensation for their effort that may be offered in monetary (direct) reward, such as salary and bonus, or bundled with other nonmonetary (indirect) reward such as medical insurance and transportation services (Ut Lon IM, 2010).

As Abdali(2011) described, compensation plays an important role to retaining employees. Poor compensation is widely known as one of the problems in the organization that leads to employee turnover. This leads to reduction in employee turnover. This is because making discrimination during offering compensation may cause employee turnover (Abdali, 2011).

Besides, according to Shamsuzzoha (2003), one of the most common reasons given for leaving the job is the availability of higher paying jobs. This implies that employee leaves the current organization to gain better payment from other organization. In addition, unequal or substandard wage structures are serious reasons given for leaving the job. This inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit (kansiimeRonald, 2014).

Pay-for-performance plans (PFP) are the most widely practiced financial compensations by both small and large business organizations in the world. Depending on the various pay practices and regulations used by various organizations, the level of pay-for-performance for any particular pay form often varies. The amount of pay-for-performance should affect future job performance levels, not just that pay-for-performance should be linked to higher future work performance (Park & Sturman, n.d.). They also underscore the potential effects of these three forms of PFP—merit pay, bonuses, and long-term incentives—in terms of their effect on future employee performance levels.

In contrast to merit-based salary increases, Armstrong (2010) believes that lump sum merit awards offer financial compensation for an individual's job performance, leading to higher employee retention. This is a good approach to give people financial acknowledgment, especially those whose basic salaries are already quite high. The annual pay review period is typically when the lump sum merit award is paid out, and it must be earned again each year. When there are no favorable compensation practices such as no or small allowance, salary, incentive or else employees might be tempted to move to other organization. As employees realize their efforts are higher than the compensation they receive, they might not be satisfied with their compensation and that can adversely influence performance; hence a development of intention to leave for better option.

Empirical evidence also supports the fact that financial compensation negatively affect the turnover intention of employees. Candra et al. (2018) analyze the effect of financial and non-financial compensation on the turnover intention on employees who work in mining company, especially repair and maintenance heavy equipment company, which is located in South Kalimantan. Based on the results of multiple linear regression analysis, the value of F-value was 109,544 while the F-table was 3, 16 and the p-value is 0,000 with a n error rate of 5%. Because F-value was greater than F-table (109,544 > 3,16) and p-value was smaller than error rate (0,000 < 0,05), it indicated that financial compensation and non-financial compensation variables significantly influence the turnover intention of coal mining support company employees in South Kalimantan simultaneously. Moreover, the result of data analysis showed that the t-value of 8,912 exceeded the value of t-table of 1.671, which means that financial compensation (X1) significantly affects turnover intention. The result of data analysis showed that the t-value of 2,761 exceeded the value of t-table of 1,671, which means that nonfinancial compensation (X2) significantly affects turnover intention. Vizano et al. (2021) conducted a study on "The Effect of Compensation and Career on Turnover Intention: Evidence from Indonesia." They found that compensation has a negative significant effect on turnover intention.

Researchers, like Bhatt and Sharma (2019) also carried out a study on compensation and employee turnover intention: A study with respect to its industries conducted in Gandhinagar city, India. On the basis of the results of their study, they conclude that compensation and turnover intention are negatively related.

Siregar and Maryati (2021) also conducted a study on "Effect of Compensation Towards Turnover Intention with Work Satisfaction as Intervening Variables a Study at PT, Madya Karya Putra." They found consistent results of the foresaid evidence. They concluded that compensation has a negative and significant effect on the intention to move.

From the empirical literature review, it can be vehemently concluded there exists a significant relationship between compensation and turnover intention of employees. Evidence reveals that financial compensation and turnover intention relates negatively. Financial compensation can also predict the turnover intention of employees.

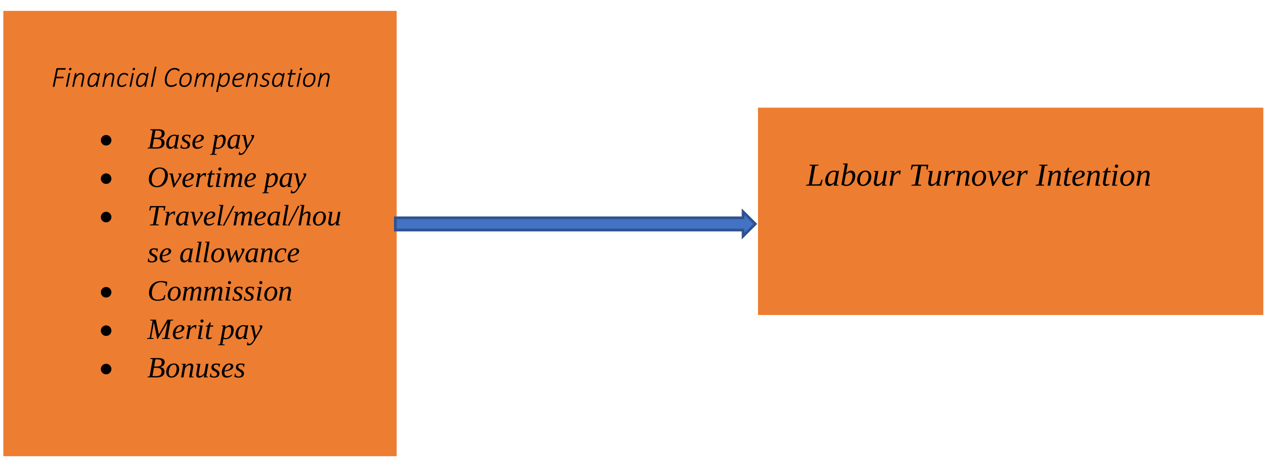
2.6. Knowledge Gap

A body of knowledge from theoretical literature reveals that the presence financial compensation is of utmost important to reduce the turnover intention of employees. The same manner holds true for empirical evidence which show the existence of negative relationship between financial compensation and turnover intention. Both theoretical and empirical evidence, however, lacks clarity to show the kind of financial compensation that produces more effect on turnover intention. Identifying the degree to which the different components of financial compensation produce effect on turnover intention is worth the effort. This study, therefore, intends to come up with evidence of the effects of the different components of financial compensation on turnover intention.

2.7. Conceptual Framework

A set of informationfacts, ideas, concepts, etc.on which debates are centered is referred to as a th eoretical framework. In other terms, a theoretical framework is a structure that clearly illustrates t he interactions between and/or between various elements of concepts or principles. Additionally, it makes it simpler for readers to understand a concept's fundamental problems. The theoretical underpinnings of this study are derived from a body of information found in prior literature and e mpirical data. Figure 2.1 shows that there is a line relationship between financial compensation, such as base pay, overtime pay, travel/meal/house allowance, commission, merit pay and bonuses and turnover intention.

Figure 2:1. The relationship between employee financial compensation and turnover intention



Source: Adapted from Chepchumba, T.R., and Kimutai, B.D. (2017, p. 493).

Hypothesis

On the basis of theoretical and empirical literature review, this study formulates the following hypotheses:

1. There is a significant negative relationship between base pay and turnover intention of employees,
2. There is a significant negative relationship between overtime pay and turnover intention of employees,
3. There is a significant negative relationship between allowance pay and turnover intention of employees,
4. There is a significant negative relationship between commission pay and turnover intention of employees,
5. There is a significant negative relationship between merit pay and turnover intention of employees,
6. There is a significant negative relationship between bonuses and turnover intention of employees.

CHAPTER THREE

RESEARCH DESIGN AND METHDOLOGY

This chapter discusses and describes the research design and the methodology that are employed during data collection, sampling methods and techniques. The chapter also describes the data gathering tools and methods as well as the tools used in reporting.

3.1. Research Approach and Design

3.1.1. Research Approach

The most common approaches to conduct research are quantitative approach and qualitative approach (Kothari, 2004). According to Kothari, the former involves "the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion, whereas the latter is concerned with subjective assessment of attitudes, opinions and behavior (p.5)." This research, therefore, used quantitative approach where quantitative data were utilized to make analysis and inference on the identified problem or research topic.

3.1.2. Research Design

In correlational study design (Creswell, 2012), investigators utilize the correlation statistical test to define and assess the degree of association (or relationship) between two or more variables or sets of scores. Thus, concerning design of this study, correlational research design was chosen because we can use correlational designs to explain the link between independent and dependent variables.

3.2. Data Sources

Before the researcher decides the nature of data collection method, S/he should keep in view as there are two types of data, namely primary and secondary. According to (Kothari, 2004), the *primary data* are those which are collected afresh and for the first time, and thus happen to be original in character, the *secondary data,* on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process. Primary data are gathered by the researchers for the specific purpose of addressing the research problems. While secondary data are collected from different books, articles, documents and other related profiles. In this study, primary data were collected through questionnaire, whereas; secondary data were found from those that have already written such as articles, books and different documents.

3.3. Population of the Study

The population of the study is the total number of employees who work in head office of AWSC, Akaki branch, Addis Ababa, Ethiopia that manage and control all Branches of AWSC. The number of employees in the head office was 150 (as of the data of The Department of Human resource). Since the size of population is manageable, all employees were considered as the population of the study.

3.4. Sampling Method and Size

To minimize time and financial expenses, this study was designed to be conducted only in Awash SC. Purposive sampling technique was employed to determine Awash SC Company as a target site of the study. Awash SC Company has four branches namely, Mekanisha, Lideta, Akaki Kality and Awash. The researcher, then, used a lottery method to select Akaki Kality branch among the four branches as a research site.

The number of populations in Akaki Kality head office was 150 (as of the data of The Department of Human resource). Since the size of population was manageable, all of the employees (150) were taken to be member of sample using comprehensive sampling techniques. Thus, the sample size of this study was 150 employees who work in Akaki Kality head office

3.5. Data Collection Tool

Because this study was designed in quantitative approach and correlation design, questionnaire was administered to collect data from respondents. The questionnaire was developed by the researcher himself. The nature of the questionnaire is Likert scale type with five rates which ranges from 1(strongly disagree) to 5 (strongly agree).

3.6. Validity and Reliability

When a measure is said to be valid, it is accurate. Depending on the goals of the study, there are several types of validity. This study; however, did not aim to consider all types of validity. But this study took in to account the two kinds of validity: face validity and content validity. Face validity is the measure or item's suitability for surface examination (Cohen et al., 2007; Ruane, 2005). According to these authors, content validity refers to the object(s) being fair and complete in their coverage. Expert opinions in the field or area can be used to judge an item's face validity and content validity. Therefore, before conducting the actual data collection, the inquirer allowed the items of data collection to be reviewed by experts.

The question of the measure's reliability should be kept in mind after the validity of the measure has been examined. If a measuring device yields repeatable results, it is reliable (Kothari, 2004). There is various forms of reliability just as validitydoes. Only internal consistency reliability, wh ich measures how homogeneous a test's items are or how effectively they capture a single concep t, is taken into consideration by the researcher (Muijs, 2004). The internal consistency of items was tested using the coefficient alpha approach. Cronbach's alpha coefficient values exceeding 0.7, in Muijs' opinion, indicate that the items should be accepted. In overtime pay, the deletion of one item could increase the value of Cronbach alpha coefficient from .569 to .720.

Table 3.1: Internal Consistency Analyses of Constructs

Constructs	Number of Items	Cronbach's alpha coefficient values
Base pay	5	.851
Overtime pay	3	.720
Allowance pay	3	.778
Commission pay	2	.883
Merit pay	4	.879
Bonus	3	.860
Presence of strategies	2	.895
Financial compensation strategy	4	.790
Non- Financial Compensation Strategy	4	.816
Attitudes toward financial compensation policy	4	.799
Turnover intention of employees	6	.818

3.7. Techniques of Data Analyses

Once the process of data collection is successfully completed, the next step is analysis of data and interpretation of results using a computerized system like Statistical Package for Social Science (SPSS). In this study, descriptive statistical techniques, such as percentage, frequency, mean, standard deviation, Pearson correlation were used to make analyses of data collected via quantitative methods (i.e., questionnaire). Percentage and frequency were used to analyze the general background of the respondents. Mean and standard deviation were employed to compute the level of opinions of respondents for each variable. To analyze the relationship between independent and dependent variables, Pearson correlation was utilized. Furthermore, multiple regression analysis was carried out to identify the level of influence of the independent variables on the dependent variable.

3.8. Ethical Consideration

The researcher must consider various ethical considerations when performing a study. Researchers give a list of considerations that one must follow from start to finish of research work (Cohen, Manion & Morrison, 2007; Creswell, 2012). These include procedural ethics (right or incorrect), confidentiality, the goal, design, and reporting of the research as well as getting the consent and participation of the subjects and/or samples and appropriately citing sources, among other things. Because of this, the researcher was keeping in mind such ethical concerns through out the span of this study.

CHAPTER FOUR

Data presentation, Analysis and Discussion

This chapter mainly deals with the presentation of collected data, analyses of data followed by discussion on results. The first section presents analysis of demographic information of the respondents; the next consecutive sections are the main parts of this chapter as there are results of analyses of the variables of the study and discussions of results.

4.1. Rate of Response

Table 4.1. below shows the amount of distribution and return of questionnaires. Of 150 distributed questionnaires, the majority of the respondents (98.7%) filled and returned back the questionnaires to the data collector. And this number (142) was used for data analysis purpose.

Table 4.1.: Response Rate

Number of Distributed questionnaires	Number of Returned questionnaires	Percentage of returned questionnaires
150	142	98.7

4.2. General Background of the Respondents

Table 4.2 below presents the background of the respondents namely, gender, age, educational level and work experience in the current organization. The Table shows that the majority of the respondents (55.6%) were males compared to their counter parts, females (44.4 %). This demands the case company to give due attention to narrow the disparity of gender in it. Regarding the age range of employees in the target organization, majority of the employees are early young adults (45.1%) and middle adults (40.8%) respectively, which implies that the majority of the employees may be subject to intention to leave the current organization. With regard to educational background of employees, Table 4.2.1 below reveals that employees have a variety of levels education. However, the majority of them have bachelor’s degree (45.8%) followed by master’s degree (27.5%). Furthermore, although the employees differ in their work experience, the greatest portion of employees (49.3%) have worked in the current organization up to five years period of time, followed by 25.4 % who have worked for 6-10 years, which may create a large suspicion on the organization as there is a greater likelihood that the employees tend to leave it.

Table 4.2: General Back Ground of Respondents

	Gender		**Age**		**Educational Level**		**Work Experience in the Current Organization**	
Category	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Male	79	55.6						
Female	63	44.4						
Total	142	100						
20-30			64	45.1				
31-40			58	40.8				
41-50			20	14.1				
+50			-	-				
Total			142	100				
Certificate					25	17.6		
Diploma					13	9.2		
Bachelor's Degree					65	45.8		
Master's Degree					39	27.5		
Others								
Total					142	100		
5 years							70	49.3
6-10 years							36	25.4
11-15 years							26	18.3
16-20 years							4	2.8
+20							6	4.2
Total							142	100

4.3. Presence of Financial Compensation Policy

To make the analysis better and meaningful for readers and users as well, I have used my own threshold of mean range. Accordingly, mean value 1-2.49 means low, 2.50-3.49 means medium and 3.50-5 means high with respect to each variable.

Participants were given chances to give detail information regarding financial compensation policies in the current organization. Table 4.3.1 below shows that the majority of the respondents (Mean = 2.90, SD = 1.138) tended to disagree the presence of financial compensation. Evidence also showed the respondents lacked awareness about financial compensation policy of my company (mean = 2.94, SD = 1.131) and they expressed grievance to their company for not amending its financial compensation policy. However, they gave an inconsistent opinion as their company has a wide range of financial compensation policy (Mean = 3.10, SD = 1.205). In general, the grand mean value 2.87, SD = .814 of the presence of financial compensation policy indicating that the majority of the respondents were not sure about the presence of Financial Compensation Policy.

Table 4.3: Presence Financial Compensation Policy

	Items	N	Mean	SD
1	My current company has a well-designed financial compensation policy to its employees	142	2.90	1.138
2	The company has a wide range of financial compensation policy	142	3.10	1.205
3	I am aware of about the financial compensation policy of my company	142	2.94	1.131
4	The company regularly amends its financial compensation policy	142	2.54	1.183
	Grand Mean of the presence of financial compensation policy	142	2.87	.814

4.4. Attitudes of Employees toward Financial Compensation Policy

Table 4.4 below illustrates that employees in the case company seem not to have good impression toward the existing financial compensation policy as the grand mean value was in the medium range (Mean = 2.90, SD = .839).

Table 4.4: Attitudes toward Financial Compensation Policy

	Items	N	Mean	SD
1	I like the company’s financial compensation system	142	2.44	1.007
2	The financial compensation policy is pretty attractive to me	142	3.13	1.290
3	I never leave my current work because of the company’s financial compensation practices	142	2.81	1.202
4	I have elated with the financial compensation rendered so far by the current company	142	3.23	1.175
	Grand Mean of Attitude toward Financial Compensation Policy	142	2.90	.839

4.5. Employees Opinions toward Financial Compensation and Their Turnover Intention

Base Pay

Respondents were given opportunity to give their opinion about the base pay they are paid by the current organization. Table 4.5.1 below indicates that their current organization pays them unfair base salary (Mean =2.94, SD = .924) compared to the nature of work employees in other organizations. However, the grand mean value of base salary (Mean = 3.22, SD = .672) indicates that employees seem to have medium attitude toward the base salary they are currently paid.

Table 4.5.1: Mean Value of Base Pay

	Items	N	Mean	SD
1	My base pay is commensurate with the work I do	142	3.20	1.040
2	My base pay is reviewed on a regular basis	142	3.40	.884
3	An increase in my base pay will encourage me to perform better	142	3.38	1.023
4	My base pay induces me to perform my job properly	142	3.20	.969
5	In comparison to other employees in other organization, my base salary is fairly balanced with my work	142	2.94	.924
	Grand Mean of Base Pay	142	3.22	.672

Over Time pay

Respondents tended to be medium to overtime pay system in the current organization as the grand mean is 3.04, SD = .786. The respondents appeared hesitant to overtime pay in every month and supplementary wages for work on extra time; however, they seem to agree to the existence of consistent pay for overtime work (Mean = 3.26, SD = .649).

Table 4.5.2: Mean Value of Over Time Pay

Items	N	Mean	SD
I am paid supplementary wages of my salary if I work extra time	142	2.96	1.151
I am paid for the work that I work on extra time in every month	142	2.88	1.145
There exists a consistent pay for extra time work in my current company	142	3.26	.649
Grand Mean of Over-time Pay	142	3.04	.786

Allowance Pay

Table 4.5.3 below reveals the circumstance of allowance pay in the case organization. Respondents showed that their current organization does not pay them allowance for transportation (Mean = 1.85, SD = .587), they also took a neutral position on payment of allowance for meal (Mean =3.04, SD = 1.094). However, they attested the presence of allowance for housing (Mean = 3.87, SD = 1.005). As a whole, the grand mean value of allowance pay is medium (Mean =2.92, SD= .612)

Table 4.5.3: Mean Value of Allowance Pay

Items	N	Mean	SD
The company supports its employees with financial compensation for transportation	142	1.85	.587
The company supports its employees with financial compensation for meal	142	3.04	1.094
The company supports its employees with financial compensation for housing	142	3.87	1.005
Grand Mean of Allowance Pay	142	2.92	.612

Commission Pay

Table 4.5.4 below indicates that respondents tended to disagree on the practice of commission pay to employees in the current organization at the grand mean of 2.93, SD = 1.052, indicating that absence or inadequacy of commission pay may be a factor for employees' turnover intention.

Table 4.5.4: Mean Value of Commission Pay

Items	N	Mean	SD
There exists a financial benefit for employees who work for the sales of company's products	142	2.97	1.154
If I work for sell services, I am paid financial rewards	142	2.87	1.141
Grand Mean of Commission Pay	142	2.93	1.052

Merit Pay

Respondents seemed to agree that they are benefited from merit pay by their current organization at a grand mean value =3.30, SD = .685, as depicted in Table 4.5.5 below. As mean value is nearly high the merit pay may not be a factor for the turnover intention employees.

Table 4.5.5: Mean Value of Merit Pay

Items	N	Mean	SD
If the entire group meets its goal, workers are eligible for financial rewards	142	3.20	1.060
The organization has a financial framework in place that rewards employees when they meet their goals	142	3.40	.907
I am benefited financial increment to my basic salary if I achieve a better performance	142	3.43	1.034
If I perform spectacular works, I will be paid a better salary than any other worker	142	3.18	.999
Grand Mean of Merit Pay	142	3.30	.685

Bonus

Table 4.5.6 shows the scheme of bonus pay for employees of the case organization. Respondents disagreed to the scheme of bonus in each month; however, they tended to agree as they are paid bonus at holidays and at the end of the fiscal year. And hence, grand mean value = 3.16, SD = .694 implies that bonus pay may be a cause for turnover intention of employees in the current organization.

Table 4.5.6: Mean Value of Bonus Pay

Items	N	Mean	SD
The company provides financial rewards when holidays come	142	3.33	1.036
The company has a scheme to pay additional money at the end of the year	142	3.19	.982
The company has a scheme to pay additional money each month	142	2.95	.955
Grand Mean of Bonus Pay	142	3.16	.694

Turnover Intention of Employees

Table 4.5.7 reveals the extent of turnover intention of employees in the target company. Respondents expressed least mean value (Mean = 3.21, SD = 1.208) to continue working in the current company compared to thinking to leave it. On the whole, the grand mean value (3.48, SD = .314) of turnover intention is nearly high denoting that employees are likely to leave their current organization.

Table 4.5.7: Mean Value of Turnover Intention of Employees

	N	Mean	SD
I like to continue working in my current company	142	3.21	1.208
I need to quit my present job	142	3.53	1.103
I will have left my job by the next year	142	3.47	1.015
I will quit soon working in the current company	142	3.70	1.052
I am looking for a job in another organizations	142	3.29	.804
I wish I would not work in the current company	142	3.68	.903
Grand Mean of Turnover Intention	142	3.48	.314

4.6. Comparison of Mean Value of Financial Compensations

Table 4.6. shows the grand mean values of the six financial compensation factors. It is evident that respondents scored the highest mean value in merit pay (3.30) whereas the least in allowance pay. In general, the mean score of the financial factors from the highest to lowest is merit pay, base pay, bonus pay, over time pay, commission pay and allowance pay respectively. And thus, commission pay and allowance pay could be a major financial compensation factor.

Table 4.6: Comparison of Mean Value of Financial Compensations

Type of financial compensation	N	Grand Mean Value	SD
Base Pay	142	3.22	.672
Over-time Pay	142	3.04	.786
Allowance Pay	142	2.92	.612
Commission Pay	142	2.93	1.052
Merit Pay	142	3.30	.685
Bonus Pay	142	3.16	.694

4.7. Test of Hypotheses

The Special Software for Social Science (SPSS) version 20 was used to organize and analyze the data obtained using a closed-ended questionnaire with five-point Likert scales. The aim of the study was to find any relationships between the independent and dependent variables. To determine the degree of relationship between independent variables such as base pay, over time pay, allowance pay, commission pay, merit pay and bonus pay and dependent variable (turnover intention), Pearson product-moment correlation analysis was used.

The magnitude (-1.0 to +1.0) and directional information of associations are shown by Pearson correlation coefficients (either positive or negative). Correlations between.01 and.30 are regarded as poor, those between.30 and.70 as moderate, and those between.70 and.99 as strong.

Ho1: There is a significant negative relationship between base pay and turnover intention of employees.

Table 4.7.1 below shows that there is moderately significant but a negative correlation between base pay and turnover intention of employees in the case company (r = -.310)at 1% level of significance (P<0.01), signifying that the employees may leave the company if they find a company that pays a better base pay.

Table 4.7.1: The Correlation between Base Pay and Turnover Intention

Independent variable		Dependent variable				
Base pay		Turnover Intention				
Mean	SD	Mean	SD	Pearson correlation	Sig. (1-tailed)	Decision
3.22	.672	3.48	.314	-.310**	.000	Hypothesis is accepted
N=142						

**. Correlation is significant at the 0.01 level (1-tailed).

Ho 2: There is a significant negative relationship between overtime pay and turnover intention of employees.

Table 4.7.2 below shows that there is moderately significant but a negative correlation between overtime pay and turnover intention of employees in the case company (r = -.359) at 1% level of significance (P<0.01), signifying that the company shall think of the system in place regarding overtime pay to reduce the turnover intention of its employees.

Table 4.7.2: The Correlation between Overtime Pay and Turnover Intention

Independent variable		Dependent variable				
Overtime pay		Turnover Intention				
Mean	SD	Mean	SD	Pearson correlation	Sig. (1-tailed)	Decision
3.04	.786	3.48	.314	-.359**	.000	Hypothesis is accepted
N=142						

**. Correlation is significant at the 0.01 level (1-tailed).

Ho 3: There is a significant negative relationship between allowance pay and turnover intention of employees.

Table 4.7.3 below shows the relationship between allowance pay and turnover intention of employees. The result reveals that there is moderately significant, but negative association between allowance pay and turnover intention ($r = -.308$) at 1% level of significance ($P<0.01$) which denotes that allowance pay may be a cause for employees to leave the current company.

Table 4.7.3: The Correlation between Allowance Pay and Turnover Intention

Independent variable		Dependent variable				
Allowance Pay		Turnover Intention				
Mean	SD	Mean	SD	Pearson correlation	Sig. (1-tailed)	Decision
2.92	.612	3.48	.314	-.308**	.000	Hypothesis is accepted
N=142						

**. Correlation is significant at the 0.01 level (1-tailed).

Ho4: There is a significant negative relationship between commission pay and turnover intention of employees.

Table 4.7.4 depicts the correlation between commission pay and turnover intention of employees. The result reveals that there is moderately significant, but negative association between commission pay and turnover intention ($r = -.314$) at 1% level of significance ($P<0.01$) which denotes that commission pay may be a cause for employees to leave the current company.

Table 4.7.4: The Correlation between Commission Pay and Turnover Intention

Independent variable		Dependent variable				
Commission pay		Turnover Intention				
Mean	SD	Mean	SD	Pearson correlation	Sig. (1-tailed)	Decision
2.93	1.052	3.48	.314	-.325**	.000	Hypothesis is accepted
N=142						

**. Correlation is significant at the 0.01 level (1-tailed).

Ho 5: There is a significant negative relationship between merit pay and turnover intention of employees.

Table 4.7.5 depicts the correlation between merit pay and turnover intention of employees. The result reveals that there is moderately significant, but negative association between merit pay and turnover intention (r = -.312) at 1% level of significance (P<0.01) which denotes that merit pay can be a cause for turnover intention of employees.

Table 4.7.5: The Correlation between Merit Pay and Turnover Intention

Independent variable		Dependent variable				
Merit pay		Turnover Intention				
Mean	SD	Mean	SD	Pearson correlation	Sig. (1-tailed)	Decision
3.30	.685	3.48	.314	-.312**	.000	Hypothesis is accepted
N=142						

**. Correlation is significant at the 0.01 level (1-tailed).

Ho 6: There is a significant negative relationship between bonuses and turnover intention of employees.

Table 4.7.6 depicts the correlation between bonus pay and turnover intention of employees. The result reveals that there is moderately significant, but negative association between bonus pay and turnover intention (r = -.398) at 1% level of significance (P<0.01) which denotes that employees tend to leave their current company due to dissatisfaction with the bonus pay.

Table 4.7.6: The Correlation between Bonus Pay and Turnover Intention

Independent variable		Dependent variable				
Bonus Pay		Turnover Intention				
Mean	SD	Mean	SD	Pearson correlation	Sig. (1-tailed)	Decision
3.16	.694	3.48	.314	-.398**	.000	Hypothesis is accepted
N=142						

**. Correlation is significant at the 0.01 level (1-tailed)

This study initiated to test whether there exists significant relation between financial compensations and turnover intention of employees. Table 4.7.7 below depicts that all null hypotheses are accepted by proving that there is a moderately significant and negative association between the financial compensations (i.e., base pay, overtime pay, allowance pay, commission pay, merit pay and bonuses) and turnover intention of employees in the case company.

Table 4.7.7: Summary of Hypotheses Tests

Hypotheses	Person Correlation	Sig. (1-tailed)
Ho1: There is a significant negative relationship between base pay and turnover intention of employees. Ha1: There is a significant positive relationship between base pay and turnover intention of employees.	-.310**	.000
Ho2: There is a significant negative relationship between overtime pay and turnover intention of employees. Ha2: There is a significant positive relationship between overtime pay and turnover intention of employees.	-.359**	.000
Ho3: There is a significant negative relationship between allowance pay and turnover intention of employees. Ha3: There is a significant positive relationship between allowance pay and turnover intention of employees	-.308**	.000
Ho4: There is a significant negative relationship between commission pay and turnover intention of employees.	-.325**	.000

Ha4: There is a significant positive relationship between commission pay and turnover intention of employees.		
HO 5: There is a significant negative relationship between merit pay and turnover intention of employees. Ha5: There is a significant positive relationship between merit pay and turnover intention of employees.	-.312**	.000
HO 6: There is a significant negative relationship between bonuses and turnover intention of employees. Ha6: There is a significant positive relationship between bonuses and turnover intention of employees.	-.398**	.000

**. Correlation is significant at the 0.01 level (1-tailed)

4.8. Testing Regression Analysis Assumptions

4.8.1. Sufficient Number of Observation

It is obvious that the number of observation (sample size) can be determined by using a scientific formula of different authors. However, there is also an agreed formula used by Admasu (2016) to recheck the number of observation for regression purpose. The formula shows that number of observation shall be at least 50+8K (where k is/are the number of independent variable/s). In this study, as there are six independent variables, there can be 50+8*6=96 observation. Therefore, 142 observations (respondents) can meet the minimum requirement expected to number of observation.

4.8.2. Normality Test

The normal distribution of independent and dependent variables can be measured by using Skew and Kurtosis with range +3 to -3. In Table 4.8.1 the skew and kurtosis results show that there was normal distribution of variables.

Table 4.8.1: Normality Test

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Base Pay	142	3.22	.672	.225	.203	-1.293	.404
Over time pay	142	3.04	.786	.498	.203	.034	.404
Allowance Pay	142	2.92	.612	-.212	.203	-1.150	.404
Commission Pay	142	2.93	1.052	.402	.203	-.429	.404
Merit Pay	142	3.30	.685	.343	.203	-1.165	.404
Bonus Pay	142	3.16	.694	.418	.203	-1.141	.404
Turnover Intention	142	3.48	.314	.173	.203	-.703	.404

4.8.3. Multicollinearity Test

There is perfect multicollinearity when at least one predictor is a perfect linear combination of the others (Field, 2005). If there is a lot of interaction between independent variables, multicollinearity is an issue. Tolerance Value (TV) and Variance Inflation Factor (VIF) are the two most popular methods for evaluating predictors' multicollinearity. Although VIF shows how much the standard errors are inflated as a result of collinearity, tolerance is the proportion of the variation in the independent variable that is accounted for by the other independent variable(s). Problematic predictors include VIF values larger than 10 and tolerance values of 0.10 or below. The results of this study's readings for both VIF and tolerance level suggest that there is no multi collinearity problem among the independent variables.

Table 4.8.2: Multicollinearity Test

Model		Tolerance	VIF
1	(Constant)		
	Base Pay	.133	7.514
	Over time pay	.187	5.343
	Allowance Pay	.518	1.932
	Commission Pay	.192	5.216
	Merit Pay	.179	5.591

	Bonus Pay	.240	4.160

Dependent Variable: Turnover Intention

4.8.4. Pearson correlation between Variables

Additionally, the values of the Pearson correlation coefficient can also show the collinearity effect of independent variables. Regression analysis has a cut-off value of 0.8 or 0.9 for the greatest correlation coefficient (Field, 2005). The inter-correlations between the financial compensation variables are far below the maximum point, according to Table 4.8.3 Pearson correlation matrix.

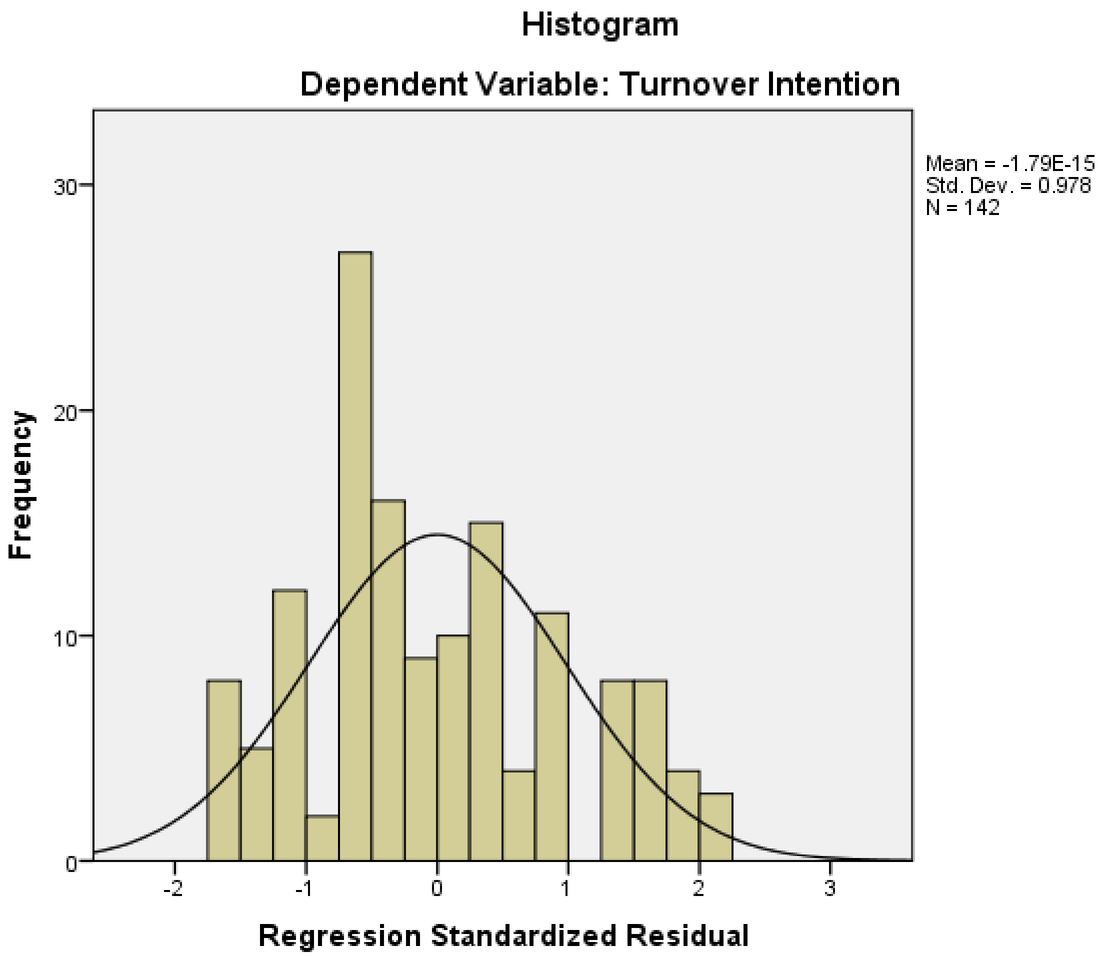
Table 4.8.3: Pearson correlation between Variables

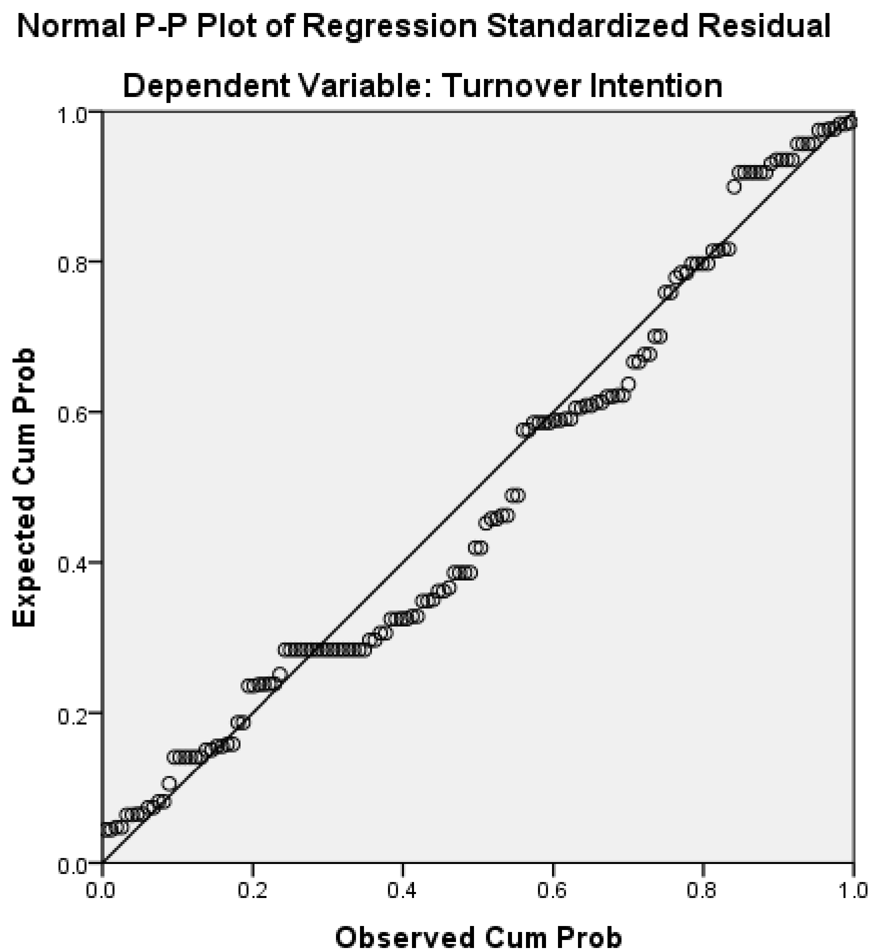
Correlations								
		Base Pay	Over time pay	Allowance Pay	Commission Pay	Merit Pay	Bonus Pay	Turnover Intention
Base Pay	Pearson Correlation	1						
	Sig. (1-tailed)							
Over time pay	Pearson Correlation	.035	1					
	Sig. (1-tailed)	.339						
Allowance Pay	Pearson Correlation	.412**	.513**	1				
	Sig. (1-tailed)	.000	.000					
Commission Pay	Pearson Correlation	-.140*	.881**	.415**	1			
	Sig. (1-tailed)	.048	.000	.000				
Merit Pay	Pearson Correlation	.902**	.033	.431**	-.118	1		
	Sig. (1-tailed)	.000	.349	.000	.081			
Bonus Pay	Pearson Correlation	.848**	.156*	.525**	-.010	.795**	1	
	Sig. (1-tailed)	.000	.032	.000	.454	.000		
Turnover Intention	Pearson Correlation	-.310**	-.359**	-.308**	-.325**	-.312**	-.398**	1
	Sig. (1-tailed)	.000	.000	.000	.000	.000	.000	
	N	142	142	142	142	142	142	142
**. Correlation is significant at the 0.01 level (1-tailed).								
*. Correlation is significant at the 0.05 level (1-tailed).								

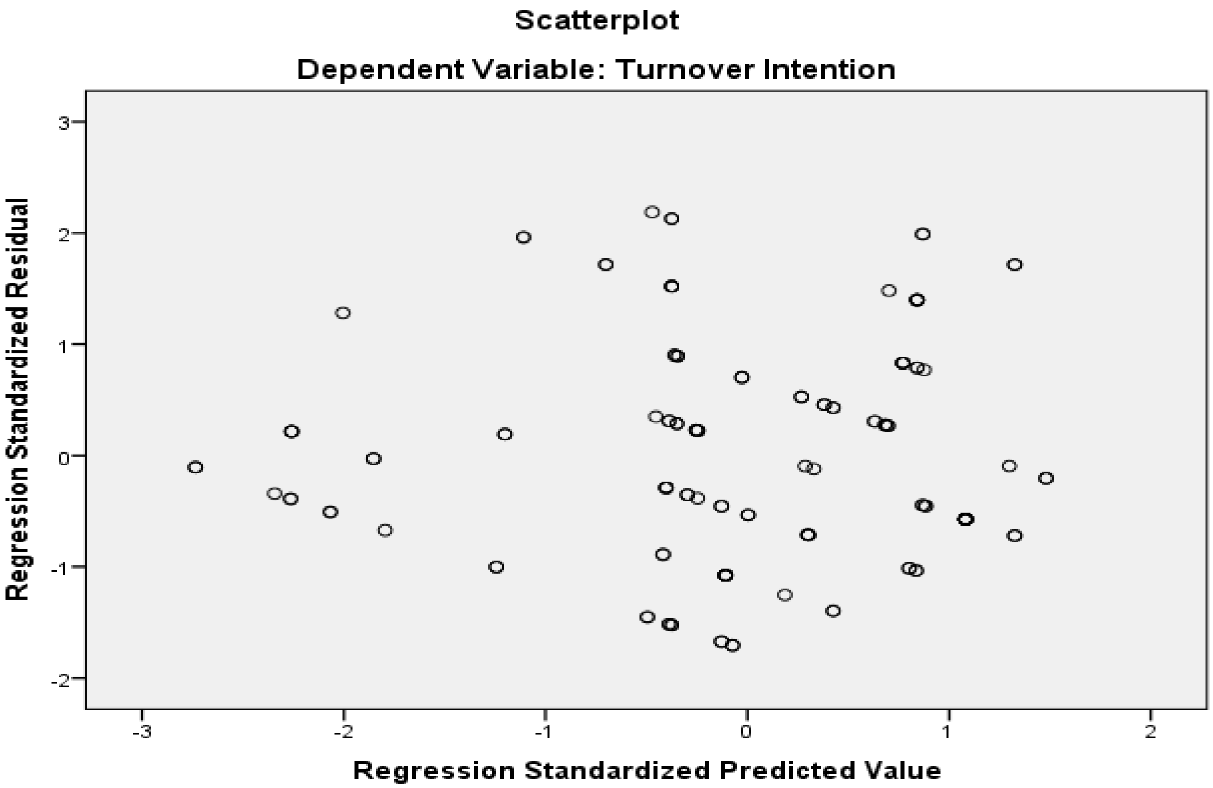
4.8.5. Heteroscedasticity Assumption

The variance of the residual terms should be constant across all levels of the predictor variable(s). Simply put, heteroscedasticity means that the residuals at each level of the predictor(s) should have the same variance (Field, 2005). The following figures (Histogram, Normal P-P plot and Scatter Plot) indicate the heteroscedasticity Assumptions of variables.

Figure 4.8.1: Heteroscedasticity Assumptions




Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Turnover Intention
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0



4.8.6. Durbin-Watson Coefficient

The Durbin-Watson coefficient test can be used to determine whether errors are serially correlated (Field, 2005). According to, the range of the Durbin-Watson statistics for independent observations should be 1.5 to 2.5 (Garson, 2012). As shown in the table 4.8.6.1 below, the Durbin-Watson result of 2.156 falls between 1.5 and 2.5.

Table 4.8.6.1: Durbin-Watson test

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.523[a]	.274	.241	.274	2.156

a. Predictors: (Constant), Bonus Pay, Commission Pay, Allowance Pay, Merit Pay, Over time pay, Base Pay

b. Dependent Variable: Turnover Intention

As it was observed in the above test of assumptions, the model satisfies majority of the assumption to analyze regression model namely, sufficient number of observations, normality test, multicollinearity test, Pearson correlation between variables, Durbin-Watson Coefficient, but it fails to fulfill heteroscedasticity assumption (i.e., Histogram, Normal P-P plot and Scatter plot) of the distribution of dependent variable. This implies that the observed data for the turnover intention of employees are not normally distributed. With this keeping in mind, analysis of regression model is presented in the following section.

4.9. Multiple Regression Model

The correlation analysis reveals if there is a relationship between the independent and dependent variables as well as the direction (positive or negative) of the relationship. To find out how much variance in the dependent variable is explained by the independent factors, however, further analysis is required. Hence, a stepwise multiple regression model was run to determine the extent to which independent factors had an impact on turnover intention of employees.

In Table 4.9.1 below, in model 2 it is clear that the financial compensations can predict the turnover intention to an extent of 26.7 % (R square, which is statistically significant at p .01). Moreover, the ANOVA models depicts that the financial compensation variables have a statistically significant ($p < .01$) effect on employees' turnover intention.

Table 4.9.1: Multiple Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.398[a]	.159	.153	.289	.159	26.372	1	140	.000
2	.516[b]	.267	.256	.271	.108	20.468	1	139	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.209	1	2.209	26.372	.000[b]
	Residual	11.727	140	.084		
	Total	13.937	141			
2	Regression	3.714	2	1.857	25.254	.000[c]
	Residual	10.222	139	.074		
	Total	13.937	141			

a. Dependent Variable: Turnover Intention
b. Predictors: (Constant), Bonus Pay
c. Predictors: (Constant), Bonus Pay, Commission Pay

According to the coefficients value shown in the Table 4.9.2 below, as bonus pay decreases by one unit (1%), employees' turnover intention will rise by 18.2% (unstandardized coefficient). turnover intention will rise by 9.8% when commission pay gets low by one unit (1%). In addition, the model, confirms that base pay, allowance pay, over time pay and merit pay do not account for employees' turnover intention.

Table 4.9.2: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.048	.113		35.668	.000
	Bonus Pay	-.180	.035	-.398	-5.135	.000
2	(Constant)	4.340	.124		34.887	.000
	Bonus Pay	-.182	.033	-.401	-5.525	.000
	Commission Pay	-.098	.022	-.329	-4.524	.000

4.10. Discussion of Results

Results about Financial Compensation Policies/Strategies

The competition among business making organizations is increasingly growing from time to time in the globe, which impinges on the mobility of employees from organization to organization. To lessen the turnover intention of employees, organizations are demanded to design compensation policy. According to Bhojak and Shakdwipee (2014), employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. The organization should clearly define its compensation policy, which must contains the criteria for establishing basic pay, incentives and benefits, and other sorts of perquisites to various levels of employees, in order for compensation administration to function properly. Gerhart (2014) proposed that organizations should have appropriate compensation policies in order to attract a large number of talented people and retain them for a long time. The target organization of this study seems to accord with these authors. When the respondents were asked about the presence of financial compensation strategy /policy in their current organization, the majority of the respondents (38.7%) tended to agree the presence of a wide range of financial compensation strategies (see Table 4.2.1) although a considerable portion of them appeared to be neutral (25.4%). Dessler (1994) underscores that organizations must create policies as basic principles to ensure coordination, uniformity, and justice in employee compensation.

Once organizations prepare compensation policy, they are required to clearly create awareness about their compensation policies to their employees. Dessler (1994) adds that there should be a clear policy on matters relating to compensation, including how connected issues are computed and when, what, when, and how they pay. However, the results of this study appeared to be opposite to Dessler's idea. Although most of the respondents (38.7%) reaffirmed that they are aware of about the financial compensation strategies in the current organization, the majority of them (40.2%) seemed not to be aware of it so that the organization is expected to share the compensation polices within it with its employees.

Organizations also make periodic amendment on their compensation polices as time goes because the degree of competition among organizations is getting changed. However, results of this study showed that the majority of the respondents (57%) disagreed as their company was unable to amend its financial compensation policy. This evidence reveals that the case organization is expected to update its policy of financial compensation in accordance with the work-market of employees. According to (Bryant & Allen, 2013), compensation structure, compensation procedures, types of compensation, the perceived fairness and equity in compensation and linking compensation and benefits vesting schedules to tenure have a positive effect on employee retention.

Other compensation policies, according to (Dessler, 1994), include the amount of vacation and holiday pay, the overtime pay policy, the frequency of payment (e.g., weekly, bimonthly, monthly), etc. Fair compensation policy is very important for both employer and employees.

Financial compensation includes a wide range of monetary package. Chepchumba & Kimutai, (2017) for instance, identifies as financial compensation includes base pay, commissions, overtime pay, bonuses, profit sharing, merit pay, stock options, travel/ meal/house allowance. Incentives for sales people might take the form of commissions, straight salary, or a combination of the two (Dessler, 2008). He adds while the allowances may be for overtime, shift work, or an increase in the cost of living, the standard rate may be paid hourly, weekly, monthly, or annually.

Attitudes of Employees toward Financial Compensation Policy

As employees realize their efforts are higher than the compensation they receive, they might not be satisfied with their compensation and that can adversely influence performance; hence a development of intention to leave for better option. Saeed et al. (2014), underscore that employee compensation can improve job satisfaction and encourage employees to stay with the company for a longer period of time. Moreover, turnover intention is a mediating factor between attitudes affecting the intent to quit and actually quitting an organization (Glissmeyer, 2012). However, as depicted in Table 4.3.1, employees in the case company seemed not to have a good impression toward the existing financial compensation strategies. Improvement on the existing financial compensation policy and or introduction of new financial compensation policy is necessary to develop positive attitudes toward financial compensation policy in the current employees. As employees realize their efforts are higher than the compensation they receive, they might not be satisfied with their compensation and that can adversely influence performance; hence a development of intention to leave for better option.

The Association between Financial Compensation and Turnover Intention

The study found a negative relationship between financial compensations (base pay, overtime pay, commission pay, allowance pay, merit pay, and bonus pay) and turnover intention of employees in Akaki Kality branch of AWSC. This study is consistent with theoretical literature that support as financial compensation results in a pernicious effect on the intention of employees to move into a new organization that provides a better financial compensation. Base/Basic pay is the wage that determines the rate for a position and may vary depending on the job's grade or, in the case of manual laborers, the degree of skill necessary (Armstrong, 2008). Pay-for-performance plans (PFP) often referred to as merit pay, are the most widely practiced financial compensations by both small and large business organizations in the world.

In contrast to merit-based salary increases, Armstrong (2010) believes that lump sum merit awards offer financial compensation for an individual's job performance, leading to higher employee retention. Merit pay options are one-time, short-term bonuses that are awarded to people in honor of improved performance without increasing their base salary (Dessler, 2008).

Adeniji and Osibanjo (2012), for instance, explained that financial compensations have an impact on all employees in an organization. Furthermore, he added that developing a reward scheme is an important exercise in compensation administration because it influences employee satisfaction and the intention to leave an organization.

Compensation has an indirect effect on turnover intention. In relation to its effect, it is observed that in the United States estimated at $40 billion a year, in Canada $12 billion and in Germany DM 60 billion and South African organizations millions of Rends is staff turnover costing in decreased efficiency(Robbins, 2003). Employees demand an appropriate level of compensation for their effort that may be offered in monetary (direct) reward, such as salary and bonus, or bundled with other nonmonetary (indirect) reward such as medical insurance and transportation services (Ut Lon IM, 2010). Park & Sturman (n.d.) underscore the potential effects of these three forms of PFP—merit pay, bonuses, and long-term incentives—in terms of their effect on future employee performance levels. Armstrong (2010) underlines when there are no favorable compensation practices such as no or small allowance, salary, incentive or else employees might be tempted to move to other organization.

As Abdali(2011) described, compensation plays an important role to retaining employees. Poor compensation is widely known as one of the problems in the organization that leads to employee turnover. Besides, Shamsuzzoha (2003) highlights that one of the most common reasons given for leaving the job is the availability of higher paying jobs in the market force. This implies that employee leaves the current organization to gain better payment from other organization. In addition, unequal or substandard wage structures are serious reasons given for leaving the job.

This inequity in pay structures or low pay is great causes of dissatisfaction and can drive some employees to quit (kansiimeRonald, 2014).

The empirical evidence of this study shows that there is a moderately significant but negative correlation between base pay and turnover intention ($r = -.310, p<0.01$), between overtime pay and turnover intention ($r = -.359, p<0.01$), between allowance pay and turnover intention ($r = -.308, p<0.01$), between commission pay and turnover intention ($r = -.314, p<0.01$), between merit pay and turnover intention ($r = -.312, p<0.01$), and between bonus pay and turnover intention ($r = -.398, p<0.01$) of employees in the case company. This research findings are consistent with the work of Siregar and Maryati (2021) and Bhatt and Sharma (2019) who conclude that compensation and turnover intention are negatively related. Candra et al. (2018) found that both financial compensation and non-financial compensation significantly affect turnover intention. Vizano et al. (2021) conducted a study on “The Effect of Compensation and Career on Turnover Intention: Evidence from Indonesia.” They found that compensation has a negative significant effect on turnover intention.

Moreover, further multiple regression model in Table 4.61 shows that the financial compensations can predict the turnover intention of employees to an extent of 25.6 % (adjusted R square, which is statistically significant at $p< .01$). According to the coefficients value shown in the Table 4.6.2 , only two financial compensations namely, bonus pay and commission pay predict the intention of employees to leave the case company. Therefore, as bonus pay decreases by one unit (1%), employees’ turnover intention will rise by 18.2% (unstandardized coefficient) and turnover intention will rise by 9.8% when commission pay gets low by one unit (1%). In addition, the model, confirms that base pay, allowance pay, over time pay and merit pay do not account for influence on employees’ turnover intention.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter is the last part of this study. The major findings of the study are presented under the summary part while the conclusion consists of brief descriptions drawn on form the research findings. Possible suggestions to be enacted by the case company and others are forwarded in the recommendation section. This chapter lasts by pointing out areas which have not been addressed by this study.

5.1. Findings

I. Presence of Compensation policy

The results of this study revealed that the majority of the respondents were not sure about the presence of financial Compensation Policy (Grand Mean = 2.87, SD = .814).

II. Attitudes of employees toward Financial Compensation Policy

Findings showed that employees in the case company seemed not to have good impression toward the existing financial compensation policy as the grand mean value was slightly below neutral (Grand Mean = 2.90, SD = .839).

III. The Degree of Financial Compensation factors

In general the mean score of the financial factors from the highest to lowest is merit pay (M=3.30, SD=.685), base pay (M=3.22, SD= .672), bonus pay (M= 3.16, SD = .694), over time pay (M =3.04, SD = .786), commission pay (M= 2.93, SD = 1.052) and allowance pay (M=2.92, SD = .612) respectively. And thus, commission pay and allowance pay could be a major financial compensation factor.

IV. Relationship between financial Compensations and turnover intention of employees .

- There is moderately significant but negative correlation between base pay and turnover intention of employees in the case company ($r = -.310$) at 1% level of significance ($p<0.01$),
- There is moderately significant but negative correlation between overtime pay and turnover intention of employees in the case company ($r = -.359$) at 1% level of significance ($p<0.01$),

- ❖ There is moderately significant, but negative association between allowance pay and turnover intention (r = -.308) at 1% level of significance ($p<0.01$),
- ❖ There is moderately significant, but negative association between commission pay and turnover intention (r = -.314) at 1% level of significance ($p<0.01$),
- ❖ There is moderately significant, but negative association between merit pay and turnover intention (r = -.312) at 1% level of significance ($p<0.01$),
- ❖ There is moderately significant, but negative association between bonus pay and turnover intention (r = -.398) at 1% level of significance ($p<0.01$).
- ❖ The above empirical evidence shows that there is a negative association between financial compensation and turn over intention of employees. And hence, base pay, overtime pay, allowance pay, commission pay, merit pay and bonus pay can be factors for the turnover intention of employees in the case company.

Furthermore, a stepwise multiple regression analyses were run to determine the extent to which independent factors have an impact on turnover intention of employees.

- ❖ It is found that the financial compensations can predict the turnover intention to an extent of 26.7 % (R square, which is statistically significant at $p< .01$).
- ❖ However, from the coefficients value only two financial compensations namely, bonus pay and commission pay explain significant influence on the intention of employees to leave the case company. Therefore, as bonus pay decreases by one unit (1%), employees' turnover intention will rise by 18.2% (unstandardized coefficient) and turnover intention will rise by 9.8% when commission pay gets low by one unit (1%). Whereas, base pay, allowance pay, over time pay and merit pay do not account for influence on employees' turnover intention.

5.2. Conclusions and Implications

Financial compensation is a form of remuneration that either directly or indirectly improves an employee's financial situation (Decenzo et al., 2007). According to Dessler (2008), financial payments are based on equity, which he defines as the treatment of employees fairly. This could be internal equity, where workers are compensated fairly for the value of the activities they perform within the same company, or external equity, where workers in one company are paid similarly to those performing identical tasks in another.

Turnover intentions is a tendency or level of attitude whereby an employee having the possibility to leave the organization or resign voluntarily from his work (Memon et al., 2016), Thus, in order to keep qualified and experienced employees, organizations are looking for better ways to help their employees to be more productive and satisfied in their work place.

Nowadays, we are in a glob where the socio-economic and technological circumstances are increasingly changing on a day to day base. These phenomena directly or indirectly affect countries, organizations and peoples around the world. Countries and Organizations are, therefore, demanded to prepare devices/ strategies which help to cope with the dynamic world phenomena. At organization level, one of the mechanisms to cope with changes outside is creation and execution of compensation policy which makes employees both happy to stay in their current organization and effective on their daily work.

In conclusion, the results of this study revealed that the majority of the respondents were not sure about the presence of financial compensation policy and they seemed not to have good impression toward the existing financial compensation policy. It is evident that there exists moderately significant but negative correlation between financial compensation (i.e., base pay, overtime pay, allowance pay, commission pay, merit pay and bonus pay) and turnover intention of employees in the case company.

Moreover, among the six types of financial compensation (i.e., base pay, overtime pay, allowance pay, commission pay, merit pay and bonus pay), only the two kinds of financial compensation namely, bonus pay and commission pay explain significant influence on the intention of employees to leave the case company.

Evidence implies that the case company shall have a clear policy of compensation for its employees. The significant negative relationship between financial compensation and turnover intention denotes that the practice of financial compensation in the target company can be factors for employees to leave out their current company, where bonus pay and commission pay explain more on the turnover intention of employees.

5.3. Recommendation

I. Design Compensation policy

It is rear that employee spend their full work experience in one organization rather they move from one organization to another organization. Employees seek to change their organization because they need to get benefited better earnings than before. This phenomenon may be fatal to organizations if experienced employees move out to another organization. However, organizations can minimize the flow-out of their employees by designing devices that assist to retain employees for a longer period of time. The results of this study revealed that the case company does not have financial compensation policy/scheme for its employees. Awash Wine SC is, therefore, advised to develop a binding financial compensation scheme to be applied to its employees.

II. **Focus on financial compensation to lessen the turnover intention of** employees

In this study a negative relationship between financial compensation and turnover intention is found, implying that employees have intention to leave their current organization if they find other organizations which pay them better financial compensation. Organizations can provide better financial compensation without having a comprehensive financial compensation policy/scheme. Thus, Awash Wine SC shall practice manifold financial compensations so as to reduce the turnover intention of employees.

5.5. Suggestions for Further Research

Non-Financial Compensation

A full-fledged compensation package comprises of both financial compensation and non-financial compensation. Both types of compensation are equally important to reduce the turnover intention of employees. However, this study was delimitated to identify the relationship between financial compensation and turnover intention of employees in Awash wine SC. It is, thus, necessary to advise other researchers to identify the association between non-financial compensation and turnover intention of employees.

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Close-Ended Questionnaire

Dear Respondents;

My name is Bruk Sisay. Currently, I am a graduate student in the MBA program at St. Mary's University. I am utilizing Awash Wine S.C. as a target site for a research project on which I am doing as a part of my study entitled "Assessing the Relationship between Financial Compensation and Turnover Intention of Employees in Awash Wine S.C." You are welcome to participate in this study by completely filling out the questionnaire that is in cluded. I want to reassure you that this study will be kept confidential because it will only be use d for academic purposes and because all responses will stay anonymous to protect their privacy. Your contributions will add interest to the research and greatly impact its findings. I appreciate you taking your time to complete this form and I thank you in advance.

Thank you I advance for your time and participation!!

Yours faithfully

PART I – GENERAL INFORMATION

1. Gender : Male ☐ Female ☐
2. Age : 20-30 ☐ 31-40 ☐ 41-50 ☐ + 50 ☐
3. Education : Certificate ☐ Diploma ☐ First Degree ☐ Masters ☐
4. How long have you worked for Awash Wine S.C?

   5 year ☐ 6-10 years ☐ 11-15 years ☐ 16-20 years ☐ >20 years ☐

Part II. Financial Policy to Minimize Employees' Turnover Intention

Please put a tick (√) mark in the box of each statement that suits your opinion best

Key: SD = Strongly Disagree (1), D= Disagree (1), N= Neutral (3), A= Agree (4), SA= Strongly Agree (5)

	Items	SD	D	N	A	SA
1	My current company has a well-designed financial compensation policy/strategy to its employees					
2	The company has a wide range of financial compensation policy/strategy					
3	I am aware of about the financial compensation policy of my company					
4	The company regularly amends its financial compensation policy					

Part III. Attitudes toward Financial Compensation Policy

	Items	SD	D	N	A	SA
1	I like the company's financial compensation system					
2	The financial compensation policy is pretty attractive to me					
3	I never leave my current work because of the company's financial compensation practices					
4	I have elated with the financial compensation rendered so far by the current company					

Part IV: Financial Compensation

Please put a tick (√) mark in the box of each statement that suits your opinion best

Key: SD = Strongly Disagree (1), D= Disagree (2), N= Neutral (3), A= Agree (4), SA= Strongly Agree (5)

I. Base pay

	Items	SD	D	N	A	SA
1	My base pay is commensurate with the work I do					
2	My base pay is reviewed on a regular basis					
3	An increase in my base pay will encourage me to perform better					
4	My base pay induces me to perform my job properly					
5	In comparison to other employees in other organization, my base salary is fairly balanced with my work					

II. Over Time

	Items	SD	D	N	A	SA
1	I am paid supplementary wages of my salary if I work extra time					
2	I am paid for the work that I work on extra time in every month					
3	There exists a consistent pay for extra time work in my current company					

III. Allowance

	Items	SD	D	N	A	SA
1	The company supports its employees with financial compensation for transportation					
2	The company supports its employees with financial compensation for meal					
3	The company supports its employees with financial compensation for housing					

IV. Commission Pay

	Items	SD	D	N	A	SA
1	There exists a financial benefit for employees who work for the sales of company's products					
2	If I work for sell services, I am paid financial rewards					

V. Merit Pay

	Items	SD	D	N	A	SA
1	If the entire group meets its goal, workers are eligible for financial rewards					
2	The organization has a financial framework in place that rewards employees when they meet their goals					
3	I am benefited financial increment to my basic salary if I achieve a better performance					
4	If I perform spectacular works, I will be paid a better salary than any other worker					

VI. Bonus

	Items	SD	D	N	A	SA
1	The company provides financial rewards when holidays come					
2	The company has a scheme to pay additional money at the end of the year					
3	The company has a scheme to pay additional money each month					

Part IV. Turnover Intention of Employees

	Items	SD	D	N	A	SA
1	I like to continue working in my current company					
2	I need to quit my present job					
3	I will have left my job by the next year					
4	I will quit soon working in the current company					
5	I am looking for a job in another organizations					
6	I wish I would not work in the current company					

Thank you very much for your cooperation!