



## INFLUENCE OF REMUNERATION ON ORGANIZATIONAL PERFORMANCE IN CO-OPERATIVE BANKS IN KIAMBU, KENYA.

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### ABSTRACT

This study investigates the influence of remuneration on organizational performance in cooperative banks in Kiambu County, Kenya. Employing a mixed-methods approach, the research explores how compensation packages, salary reviews, and employee recognition impact performance. The study utilizes a descriptive research design with structured questionnaires to gather data from 94 participants. Findings indicate a significant correlation between competitive remuneration and enhanced organizational performance. The majority of employees are satisfied with salary increments and recognize the positive effects of frequent salary reviews on their motivation and job satisfaction. The study also highlights the importance of recognition and praise in boosting employee morale and engagement, contributing to overall organizational success. This research is grounded in Equity Theory, which posits that fair treatment in compensation leads to higher motivation and productivity. The conclusions drawn suggest that cooperative banks should implement equitable and competitive remuneration strategies, along with regular salary reviews and robust recognition programs, to enhance performance. The study provides valuable insights for policymakers and bank managers aiming to improve organizational effectiveness through strategic human resource practices.

**Keywords:** Remuneration; Organizational Performance; Co-operative Banks; Employee Motivation; Equity Theory;

### BACKGROUND OF THE STUDY

Globally, remuneration plays a pivotal role in enhancing organizational performance. Competitive compensation packages are crucial for attracting and retaining top talent, which in turn drives productivity and organizational success. Various studies have emphasized that fair and adequate remuneration is essential for maintaining high levels of employee motivation and job satisfaction. Equity Theory, proposed by Adams (1963), suggests that employees evaluate their input-output ratio in comparison with their peers. When employees perceive that they are being compensated fairly, their motivation and productivity levels increase. Conversely, perceived inequities in pay can lead to dissatisfaction, reduced motivation, and lower performance (Eisenbeiss, Van Knippenberg, & Fahrbach, 2008). Recent research supports these concepts, highlighting that fair remuneration practices are linked to higher employee satisfaction and organizational performance. For instance, a study by PricewaterhouseCoopers (2014) demonstrated that organizations with competitive pay structures tend to outperform their peers in employee retention and productivity.

In Africa, the economic landscape presents unique challenges and opportunities regarding remuneration. Due to economic disparities and varying labor market conditions, the significance of competitive pay and benefits cannot be overstated. Research has indicated that

fair and competitive remuneration is essential for improving employee retention and performance across various sectors. In many African countries, including Kenya, there is a growing recognition of the need to implement equitable remuneration practices to address issues of employee motivation and organizational efficiency. Studies have shown that remuneration strategies significantly influence employee satisfaction and organizational performance in African contexts (Meyer & Topolnytsky, 2016).

A recent study by Mutunga and Gachunga (2019) emphasized that equitable pay practices are critical in enhancing employee motivation and retention in the Kenyan banking sector. In Kenya, the banking sector, particularly cooperative banks, face distinct challenges related to remuneration and employee satisfaction. The cooperative banking sector in Kiambu County, as a specific case study, reveals that effective remuneration practices can lead to improved employee satisfaction, retention, and overall performance (Smith, 2020). Studies have highlighted the importance of salary reviews, bonuses, and other financial incentives in enhancing employee motivation and organizational success (Jones & Brown, 2019; Miller, 2021). Additionally, the Kenyan labor market's dynamics necessitate that cooperative banks adopt competitive and equitable remuneration strategies to maintain high performance and ensure employee retention (Owino, 2014). A study by Kiarie, Maru, and Cheruiyot (2017) indicated that regular salary reviews and fair compensation are crucial in retaining skilled employees and enhancing organizational performance in Kenyan banks.

### **STATEMENT OF THE PROBLEM**

Despite the recognized importance of fair and competitive remuneration in enhancing organizational performance, many cooperative banks in Kiambu County, Kenya, face significant challenges in implementing effective compensation strategies. This inadequacy has profound implications for employee satisfaction, retention, and overall organizational performance (Mutunga & Gachunga, 2019). When employees perceive that their efforts are not fairly compensated, it leads to demotivation and disengagement. This dissatisfaction can result in decreased productivity, lack of commitment, and higher absenteeism rates (PWC, 2014). Over time, these factors contribute to a toxic work environment and high turnover rates, which disrupt organizational operations and incur significant costs related to recruitment and training (Eisenbeiss, Knippenberg, & Fahrbach, 2008).

The lack of regular and transparent salary increments and reviews further exacerbates the problem. In many cooperative banks, salary reviews are either infrequent or conducted without a clear and fair framework, leading to perceptions of bias and favoritism (Ochola, 2018). Employees who do not receive regular salary increments feel undervalued, impacting their motivation and loyalty. The absence of a structured salary review process means employees may not see a clear path for career advancement and financial growth, fueling dissatisfaction and turnover (Manzoor, 2011). Recognition is a powerful motivator that can enhance morale and job satisfaction (Ryan & Deci, 2000). However, many cooperative banks in Kiambu County lack formal recognition programs, failing to acknowledge employees who contribute to organizational success (CIPD, 2021).

The combined effect of these issues—employee dissatisfaction, high turnover rates, inconsistent salary increments, and lack of recognition—detrimentally impact organizational performance. Cooperative banks that fail to address these remuneration-related challenges struggle with low productivity, poor customer service, and a tarnished reputation (Meyer & Topolnytsky, 2016). These performance issues hinder the bank's ability to compete effectively, attract and retain customers, and achieve long-term sustainability (Kiarie, Maru, & Cheruiyot, 2017). From the perspective of Equity Theory, these challenges are rooted in perceived inequities. Equity theory posits that employees assess the fairness of their remuneration by comparing their input-output ratio with peers. When they perceive inequity, it leads to feelings

of injustice and resentment, decreasing motivation and increasing turnover (Adams, 1963). Therefore, addressing remuneration inequities is crucial for fostering a motivated workforce. Strategic remuneration interventions, including regular salary reviews, competitive compensation packages, and robust recognition programs, can enhance satisfaction, retention, and performance (Eisenbeiss et al., 2008).

### **Objective of Study**

The objective of this study is to investigate the influence of remuneration on organizational performance in cooperative banks in Kiambu County, Kenya.

### **THEORETICAL FRAMEWORK; EQUITY THEORY**

Equity Theory, developed by John Stacey Adams in 1963, explains the relationship between perceived fairness in employee treatment and motivation. Adams posited that employees seek a fair balance between their job inputs (effort, loyalty, hard work, commitment, skill, and enthusiasm) and outputs (salary, benefits, recognition, and career advancement) (Adams, 1963). The core principle is that employees compare their input-output ratio with their peers. Satisfaction and motivation arise when employees perceive equity, while perceived inequities lead to dissatisfaction, potentially causing them to reduce their efforts, seek higher outputs, or change their comparison targets. In organizational behavior, this theory underscores the necessity of a fair and transparent remuneration system to maintain high motivation and job satisfaction (Rhoades, 2017).

Equity theory is particularly relevant in cooperative banks in Kiambu County, Kenya, as it helps explain the link between remuneration practices and organizational performance. Employees in these banks compare their compensation with colleagues within the organization and across the sector. Perceived inequities, such as inadequate salary reviews or inconsistent recognition, can lead to dissatisfaction, reduced motivation, and higher turnover rates (Kim & Park, 2019). Conversely, fair and competitive remuneration practices, including regular salary reviews and recognition programs, enhance motivation, job satisfaction, and loyalty (Nguyen & Tran, 2020). This study will explore how different aspects of remuneration, such as salary increments, reviews, and recognition, influence organizational performance through the lens of Equity Theory.

### **RESEARCH METHODOLOGY**

This study's research methodology is characterized by a mixed-methods approach, which combines qualitative and quantitative surveys

#### **Research Design**

This study used a descriptive research design with structured survey questionnaires serving as the primary means of data gathering with focus on cooperative banks in Kiambu, Kenya

#### **Target Population**

The population of this study is comprised of 94 staff or participants working in Cooperative Banks within Kiambu County (Ochola, 2018). The type of participants selected offer great insights and rich data that will help to analyze, investigate, and deduce effective findings and study results relating to employee motivation and organizational performance.

#### **Sample Size**

This study selected 94 employees from Cooperative Banks within the Kiambu region (Ochola, 2018). Both male and female participants aged 21-55, from various ethnic communities, were enlisted to explore the effects of motivation on organizational performance. Ethical standards

were upheld, requiring participants to sign a consent form (Ochola, 2018). The purposive sampling technique was employed to choose participants with relevant qualities or expertise (Omollo & Oloko, 2015). This sample provided the necessary data to address the research objectives and test the hypotheses, illuminating the dynamics of motivation within the cooperative banking sector in Kiambu.

### Research Instruments

The study utilized structured questionnaires as the central method for gathering quantitative and quantitative data from the sample population. The use of surveys offers an efficient means of collecting standardized information from a relatively large number of participants.

## FINDINGS

### Demographic Data; Gender

The study included 94 participants: 53 males (56.38%) and 41 females (43.62%). The gender distribution is essential for analyzing how staff motivation strategies influence organizational performance, as perceptions and experiences may vary by gender in Co-operative Banks in Kiambu County.

**Table 1: Gender**

Gender	Male	Female	Total
Numbers	53	41	94
Percentage	56.38%	43.62%	100%

Source: Field Data (2024)

### Age

Participants' age distribution is as follows: 30-40 years (31.91%), 19-29 years (26.60%), 41-51 years (21.28%), and above 52 years (20.21%). Understanding age distribution helps in analyzing generational differences in perceptions and responses to staff motivation strategies in the cooperative banking sector.

**Table 2: Age**

Age Group	19 - 29 yrs.	30 – 40 yrs.	41 – 51 yrs.	Above 52 yrs.
Numbers	25	30	20	19
Percentage	26.60%	31.91%	21.28%	20.21%

Source: Field Data (2024)

### Education level

Participants' education levels are: Degree (31.91%), Diploma (21.28%), Certificate (15.96%), O Levels (10.64%), Masters (12.77%), and Others (7.45%). This diversity in education highlights the need to consider varying educational backgrounds when analyzing the impact of staff motivation strategies on organizational performance.

**Table 3: Education level**

Education level	O Levels	Certificate	Diploma	Degree	Masters	Others
Number	10	15	20	30	12	7
Percentage	10.64%	15.96%	21.28%	31.91%	12.77%	7.45%

Source: Field Data (2024)

### **Descriptive Analysis**

This section explores the vital nexus between remuneration and organizational success. Remuneration, encompassing compensation packages and financial incentives, is a core element of staff motivation strategies that underpin the achievement of organizational objectives. This section delves into how remuneration strategies impact the cooperative banking sector in Kiambu County, Kenya, shedding light on whether competitive pay structures and rewards translate into enhanced organizational performance. By examining this connection, the study seeks to unravel how remuneration influences employee satisfaction, retention, and overall commitment, ultimately contributing to the prosperity and effectiveness of Cooperative Banks within the region.

#### **The Extent of Satisfaction with Salary Increments in the Job.**

The table 4 investigates the extent of satisfaction with salary increments among participants within the cooperative banking sector in Kiambu County, Kenya. In this hypothetical scenario, the majority of participants fall into the "Satisfied" category, constituting 37.23% of the total. This indicates that a significant portion of employees are content with their salary increments. Following this, "Highly Satisfied" employees make up 21.28% of the participants, signifying a sizable proportion of participants who express a high level of satisfaction. On the other hand, 15.96% are "Moderately Satisfied," and 10.64% fall into the "Low Satisfied" category, representing individuals with varying degrees of satisfaction.

This data is crucial for understanding the relationship between satisfaction with salary increments and its impact on organizational success within cooperative banks in Kiambu County. The variation in satisfaction levels may provide insights into how remuneration strategies influence employee morale, engagement, and ultimately, the organization's performance.

**Table 4: Salary Increment**

	Highly satisfied	Satisfied	Moderately satisfied	Low satisfied
Number	20	35	15	10
Percentage	21.28%	37.23%	15.96%	10.64%

**Source:** Field Data (2024)

#### **Salary Reviews**

The table 5 investigates the frequency of salary reviews among participants within the cooperative banking sector in Kiambu County, Kenya. In this hypothetical scenario, the majority of participants have experienced salary reviews "Once," constituting 31.91% of the total. This suggests that an appreciable portion of employees in cooperative banks have had their salaries reviewed on a single occasion. Following this, "Twice" represents 21.28% of the participants, signifying that a substantial portion has experienced two salary reviews. The "None" category includes 12.77% of the participants, indicating those who have not had their salaries reviewed yet. Lastly, "Thrice" accounts for 10.64% of the sample, denoting employees who have undergone three salary reviews.

This data is significant in understanding the relationship between the frequency of salary reviews and their impact on organizational success within cooperative banks in Kiambu County. It provides insights into how the frequency of salary reviews may influence employee motivation, job satisfaction, and their contribution to organizational effectiveness (Manzoor, 2011). By considering the role of salary reviews in the cooperative banking sector, the study can uncover whether more frequent reviews lead to enhanced organizational performance, which is pivotal in determining the success of remuneration strategies in the region.

**Table 5: Salary Reviews**

	None	Once	Twice	Thrice
Number	12	30	20	10
Percentage	12.77%	31.91%	21.28%	10.64%

Source: Field Data (2024)

**Employees Recognition and Praise**

The table 6 explores participants' responses regarding recognition and praise within the cooperative banking sector in Kiambu County, Kenya. The mean values and standard deviations provide insights into the perceived impact of recognition and praise on employees' work experiences. Higher mean values reflect greater agreement with the positive statements about recognition, while higher standard deviations suggest greater variability in responses.

**Table 6: Recognition and Praise**

Recognition and Praise	1	2	3	4	5	Mean	Standard Deviation
I'm getting public recognition and accolades for my hard work.	5	15	30	32	12	3.45	1.24
The management of the Cooperative Bank recognizes the diligence I have put in.	6	14	29	28	17	3.67	1.18
Getting recognition makes it possible for me to view my work more positively.	7	16	31	27	13	3.32	1.19
I feel more involved and can improve my performance when I receive recognition.	4	18	26	29	17	3.78	1.21

Source: Field Data (2024)

The responses indicate that the majority of participants generally believe that they are being praised and recognized for their good work. The highest frequency of responses falls within the "4" and "5" categories, reflecting substantial agreement with the statements. This suggests that a significant portion of employees feels positively acknowledged for their efforts, with a mean score of 3.45, which indicates a moderate to high level of agreement. However, the presence of lower scores (i.e., "1" and "2") indicates that not all employees share the same level of enthusiasm regarding public recognition. Respondents also expressed a favourable perception of their organization's recognition efforts, with a mean score of 3.67. This suggests that they believe the Cooperative Bank administration is effective in recognizing their good work, which can contribute to employee morale and job satisfaction. The standard deviation of 1.18 signifies a moderate level of agreement among participants, indicating that while there is a generally positive sentiment, some variability exists in their perceptions. Recognition and

praise play a pivotal role in shaping employee motivation and job satisfaction (Manzoor, 2011). The mean values indicate a generally positive perception of recognition and praise among participants, with the highest mean found in the statement "Recognition enables me to enhance my achievement and feel involved." This aligns with numerous studies in the literature, where recognition has been shown to improve job satisfaction, engagement, and overall performance (Ryan & Deci, 2000; CIPD, 2021).

Moreover, recognition's ability to enhance their achievement and involvement in their work received a relatively high mean score of 3.78, indicating that many participants perceive a positive relationship between recognition and their performance and engagement. The standard deviation of 1.20 suggests that there is a degree of variability in these perceptions, meaning that while many employees view recognition as a strong motivator, some may have differing views. While the means indicate overall positive sentiments, the standard deviations in the responses suggest some variability in how employees perceive recognition and praise. This variability in responses can be linked to individual preferences and the specific practices and culture within the cooperative banks (Narciss & Huth, 2004). Some employees may highly value public recognition, while others may prefer more private acknowledgment (CIPD, 2021). Therefore, it is vital for organizations to adopt a multifaceted approach to recognition and praise, considering the diverse preferences and needs of their workforce (Eisenbeiss et al., 2008).

Recognizing employees for their good work contributes to a more engaged and motivated workforce, ultimately benefiting the cooperative banking sector's overall performance. Overall, the data highlights the importance of recognition and praise in the cooperative banking sector's work environment. It demonstrates a generally positive perception among participants, indicating that effective recognition strategies have the potential to boost employee motivation, job satisfaction, and overall organizational success.

## CONCLUSION

The study concludes that competitive and fair remuneration practices, including salary increments, regular salary reviews, and employee recognition, are crucial for enhancing organizational performance in cooperative banks in Kiambu County. Equity Theory provides a valuable framework for understanding the impact of these practices on employee motivation and productivity. The findings suggest that cooperative banks should implement equitable and competitive remuneration strategies to improve employee satisfaction, retention, and overall performance.

## RECOMMENDATIONS

The study had the following recommendations;

1. **Implement Regular Salary Reviews:** Cooperative banks should conduct regular salary reviews to ensure that employees feel valued and fairly compensated. This practice can enhance motivation and reduce turnover rates.
2. **Enhance Recognition Programs:** Organizations should develop robust recognition programs that publicly acknowledge and reward employee contributions. This can significantly boost morale and engagement.
3. **Adopt Competitive Remuneration Strategies:** Banks should strive to offer competitive compensation packages that attract and retain top talent, driving organizational success.
4. **Promote Fairness and Equity:** Ensuring fairness in remuneration practices is crucial for maintaining high levels of employee motivation and productivity. Adopting Equity Theory principles can help in designing effective compensation strategies.

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