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EFFECT OF DIRECT AND INDIRECT COMPENSATION ON EMPLOYEES' JOB SATISFACTION OF SELECTED MICROFINANCE BANKS IN ILORIN METROPOLIS

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ABSTRACT
The most important resource of an organization is human resource. In an overall performance of an organization, it is very important to retain an efficient and effective workforce. Motivated employees can add value to an organization by successfully achieving its targets. This study therefore examined the effects of direct and indirect compensation on the employees' job satisfaction of selected Microfinance banks in Ilorin Metropolis. The specific objectives are to: (i) assess the effect of rewards on employees' job satisfaction. (ii) evaluate the effect of indirect compensation on employees' job satisfaction. The study adopted a descriptive design Questionnaire was the used to elicit information from the employees of selected five microfinance banks in Ilorin metropolis. These microfinance banks are: Balogun Fulani Microfinance bank, Balogun Gambari Microfinance bank, Balogun Ajikobi microfinance bank, Ilorin microfinance bank and University of Ilorin microfinance bank. Twenty (20) copies of questionnaire were distributed to each of the Microfinance banks using a convenience and simple random sampling technique to avoid bias as much as possible. A total of 100 employees of these five (5) microfinance banks were chosen as sample size. Findings from the study revealed that; there is a significant relationship between rewards/salary and the employees' job satisfaction in selected microfinance banks in Ilorin metropolis ($R = 0.245$, $R^2 = 0.060$, $P < .05$). Also, there is a significant relationship between indirect compensation and employees' job satisfaction in selected microfinance in Ilorin metropolis ($R = 0.560$, $R^2 = 0.314$, $P < .05$). The study concluded that, there is a positive and direct relationship between rewards/salary and employees' job satisfaction. This shows that employees of microfinance banks observe clear link between rewards for their work and job satisfaction along with career progression. The study also concluded that if Microfinance banks in Ilorin offer fringe benefits including gratuity, pension payment, and medical benefits, there will be employees' job satisfaction because they are tools of motivation in organizations. The study therefore recommended that The study recommended that Microfinance banks needs to focus a lot on the wellbeing of its most precious assets that is Human resources. Healthy balance between employee's work life and life outside the work need imperative importance. The study recommended that bonus systems may be injected in microfinance banks to reward efficient and hardworking employees so that they can be retained. More so, culture of praise and verbal appreciation should be encouraged in bank branches from the manager and senior officers to help in motivating the employees and keep them determined towards their work.

Introduction

Employees are valuable resource of any organization. Labor productivity now a day has been main concern of organizations. It is customarily accepted that employees discover valuable source of competitive edge for firms. There is current discussion on how human resource management policies impact the performance of employees. HRM theorists are making efforts and planning to construct informal bond between HRM and job satisfaction (Ayesha, Amna, Talha, & Hina, 2015).

Employee receives different kinds of benefits in the form of wages, salaries and pay. Half of cash flow of companies is usually equal to compensation, although it is more than half in service sector. Mostly individuals with good education are unsatisfied with their job and salary packages and it results in their turnover so organizations plans compensation plans for them to stop the turnover and to motivate them. In other words, you can say that compensation motivates employee for better performance (Ayesha, Amna, Talha, & Hina, 2015)

Compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee's to increases the Performance (Holt,1993). Compensation is the segment of transition between the employee and the owner that the outcomes employee contract. As the prospective of employee pay is the necessary of life. The payment receives from work done on the behalf of people getting the employment. From the employee prospective, one of the most important part of cash flow. Compensation is mostly equal to half of cash flow of the companies. But in the service sector it is more than half. It is the major to attract the employee and motivate employee to increases the performance (Ivanceikh & Glueck, 1989).

It is argument that mostly individuals that getting higher education they are not satisfied their jobs and their turnover is more than so that organizations are overcome to that problem design the compensation plain to retain the employees as well plays more to attract, retain and motivate to give man power. Different banks objectives make their benefits and compensation packages to attract as possible (HRM Process BPR term report, 2009)

Statement of the Problem

Human Resources are the key drivers of the prosperity and success of any organization. Unless and until the organization does not offers salary, rewards and due benefits according to its employees needs and wants, it would not be able to conquer the highest level of efficiency and competence of the recruits. Employee compensation includes all forms of pays given to the employees arising from their employment (Dessler, 2008). Compensation management is one of the strapping feature that organizations use to attract and retain its most valuable and worthy assets. Compensation includes financial as well as non-financial rewards. Today's employees not only require money to fulfill their basic needs but they also necessitate various non-financial rewards and benefits, often known as the Fringe Benefits. These fringe benefits include bonus, retirement benefits, gratuity, educational and medical facilities etc.

The compensation management is considered to be a complex process which requires accuracy and precision and if not carried out properly may lead to organizational concerns. An ideal compensation policy encourages the employees to work harder and with more determination. It also helps the organizations to set the standards that are job related, realistic and measurable.

Compensation policies should have a sound integration with other practices of HRM. One of the indispensable functions of compensation policy of any company is to provide growth opportunities to its employees and to create a vigorous competition among the employees in order to have an urge to work more efficiently and proficiently.

The concern of this study is to find the sector where development can be possible. Systems of rewards and compensations have much importance for the performance of any organization. A considerable setup for reward and compensation structure can highly enhance the profitability and effectiveness of an organization. The study will be highly motivated for employees and managers or human resource department of organization. There is a great need to work in this area of field.

This study is conducted to find out the effect of compensation strategies on the employees' job satisfaction of selected microfinance banks in Ilorin metropolis. Some main goals are to investigate whether salary/reward can lead to job satisfaction of employees in microfinance banks in Ilorin and to ascertain whether indirect compensation can also leads to job satisfaction of employees in Microfinance in Ilorin metropolis.

Research Questions

The following research questions were formulated to guide the study:

i. To what extend is direct compensation influence employees' job satisfaction?
ii. What is the impact of indirect compensation on the employees' job satisfaction in microfinance banks?

Objectives of the Study

The main objective of this study is to ascertain the effect of direct and indirect compensation on the employees' job satisfaction in microfinance banks in Ilorin metropolis. The specific objectives of the study are to:

i. examine the influence of rewards on employees' job satisfaction.
ii. evaluate the effect of indirect compensation on employees' job satisfaction.

Research Hypotheses

H_{O1}: Rewards do not have significant influence on employees' job satisfaction
H_{O2}: There is no significant relationship between indirect compensation and employees' job satisfaction

LITERATURE REVIEW

Conceptual Clarification

Concept of Compensation

Compensation as a concept refers to all forms of financial returns and tangible benefits that employee receives as part of employment relationship (Bernadin, 2007). Compensation is a fundamental component of human resource management. It covers economic reward in the form of wages and salaries as well as benefits, indirect compensation or supplementary pay (Ojo, 2008). Compensation emanates from the fact that it provides income to workers and constitutes an important cost item to the employer (Martocchio, 2011). Compensation as it were is divided into two parts and these are cash compensation which is the direct pay provided by employer for work performed by the employee and fringe compensation which refers to employee benefit programs. Cash compensation has two elements, which include base pay and pay contingent. Base pay has to do with hourly or weekly wages plus overtime pay, shift differential and uniform allowance while pay contingent is concerned with performance allowances such as merit increases, incentive pay bonuses and gain sharing. Fringe compensation on the other hand refers to employee benefits programs. Fringe compensation also has two parts to it, which are legally required benefit programs and discretional benefits. The concept of employee compensation and benefits cannot be discussed in a vacuum. Various studies have established that salaries and benefits are closely related to job satisfaction (St. Lifer, 2004); and job satisfaction can bring about motivation which in turn affects employee job performance and organizational commitment.

According to a classic definition, participation is described as involvement (Vroom, 2004). In some views of organizational researchers, there are several dimensions of participation in organization. It is: an opportunity for employees to achieve their goals, to seek ideas among the employees, and to assign responsibilities to employees (Gibson, 2002). Employee participation is considered a key element in the successful implementation of new management strategies and plays an important role in determining the degree of job satisfaction (Ardichvili & Page, 2003). This, in turn, increases the commitment of the employee as well as their motivation. Furthermore, Higgins, (2008) argues that participation is a mental and emotional reflection that will lead to the fulfillment of individual and organizational goals, especially if supported by the organization's climate (Ardichvili & Page, 2003).

On the other hand, Brownell (2007) focuses on individual influence and defines participation as an organizational process, in which individuals are involved and have influence on relevant decisions (that have effect on them). Therefore, participation is an organizational mechanism, giving employees the right to make decisions and the matching amount of responsibility, so that they feel aware of contributing to organizational performance With the participation in hand, their motivation increases, which brings about both individual benefits and organizational effectiveness (Kim, 2002).The Nigerian construction industry is heavily labour intensive, which requires cooperation and good human relations to thrive(Fagbenla, Adeyemi, & Adesanya, 2004). The sector employs human resources with various skills, which comprise of operatives, skilled artisans, technicians, and professionals such as civil engineers and surveyors. Compensation plays a significant role, as it is the backbone of any employment relationship more especially in an industry like construction, which requires human effort to achieve its objective. Workers cannot put their effort without return for their labour as referenced to classical theory that the return for labour is reward; thus workers in the any industry including construction sector are engaging their labour for economic incentive or rewards (Igalens &Roussel, 2009)

The most recent study of reward in Nigerian construction sector was undertaken by Fagbenle et al. (2004) their study is basically on the impacts of non- financial incentives on bricklayers' productivity in private firms. The respondents for their research are bricklayers on site. Thus, their context of research was intrinsic reward impact among private firm employees. It is of paramount importance to study extrinsic reward in the construction sector also, which this research is focused to achieve. Employees' compensation is divided into two categories: the intrinsic and extrinsic reward. Intrinsic rewards relate to a psychological mindset that is experienced by workers at work. Whereas the extrinsic reward covers employees' pay and benefits, which workers enjoy as a result of their contribution to the organization (Armstrong, 2003). The most vital tool for creating value to organization is extrinsic compensation (Lai, 2012). Compensation as it were is a complex topic that has significant impact on organizational success, and for any organization to succeed, it must not look up to capital investment but to its employees as the fundamental source of improvement with the understanding that the human element and the organization are synonymous (Dessler, 2011).

According to Cascio (2003), the objective of the design of compensation program is divided into two, which are, direct and indirect forms of compensation. Direct compensation has to do with wage and salary aspect while indirect compensation is the fringe benefits a worker enjoys as a result of working in an organization. Integrating the two into a package that will encourage the achievement of an organizations goal is what compensation is all about. In the words of McNamara (2006), compensation includes issues regarding wage and/ or salary programs and structures accruing from job descriptions, merit-based programs, bonus-based programs, commission based programs and so on, while benefits typically refers to retirement plans, health life insurance, disability insurance, vacation, employee stock ownership plan etc.

Gomez, Balkin and Cardy, (2006) view employee compensation as comprising base pay and fringe benefits. Base pay or cash pay is the direct pay provided by employees for work performed and these include; salary, overtime pay, shift allowance, uniform allowances and pay contingent on performance, like merit awards, incentive pay, bonuses and gain sharing while fringe compensating include required programs such as social security, health benefits, pension plans, paid time off, tuition reimbursement, foreign service premiums and so on.

However, Bernadin (2007) emphasize skill based pay also pose some risks in the area of employer paying higher compensation that is not equalize by organizations productivity. In addition, employee may become "rusty" unless there is opportunity to use all the skills acquired; and thirdly, when employee hits the top of the pay structure, he may become frustrated and leave the firm just because there is no further opportunity to receive pay raise (Cascio, 2003).

Employees' benefits, though a part of total compensation embraces non monetary form of compensation ranging from health care plans, to pension or retirement plans, social security, insurance, family and medical leave, severance pay, payments for time not worked (vacations, sabbatical, holidays), workers compensation, (those injured on the job) (foreign service premiums, child care. Other emerging trends in employee benefits embrace flexibility or what is known as cafeteria approach to benefits (Noe , 2007). This allows an employee to choose from array of benefits in lieu of pay. An employee who is a bachelor may choose money in lieu of childcare. This is a welcoming idea though it could be more expensive for employers. Mostly, employee compensation and benefits is the ultimate in an organization whether monetary or non-monetary and it matters a lot to individual workers (Absar, 2005).

Concept of Employees' Job Satisfaction in Organizations

The concepts of employee satisfaction is a multi-dimensional and inter disciplinary term that has attracted the attention of researchers and practitioners from different disciplines such as psychology, human resource management, organizational behavior, TQM and so forth. Jobs satisfaction is defined as an employee's overall affective state resulting from an approval of all aspects of his/her job. An employee's level of satisfaction toward his/her job varies with specific aspects of the job. These are the nature of the work, pay, promotion, co-workers and organizational context (procedures, working condition). Many studies have demonstrated that job satisfaction is one of the key factors of individual and organizational performance (Lund, 2007). Job satisfaction is also defined as an individual's general attitude regarding his or her job (Robbins, 2009).

The most referred definition of job satisfaction was offered by Locke (2005) who defined job satisfaction as a pleasing or positive emotional state resulting from the evaluation of a person's job. According to this, employee satisfaction is a function of the perceived relationship between what one wants from one's job and what one perceives it as offering (Locke, 2005). Mullins (2008) mentioned that motivation is closely related to job satisfaction. Various factors such as an employee' s needs and desires, social relationships, style and quality of management, job design, compensation, working conditions, perceived long range opportunities, and perceived opportunities elsewhere are considered to be the determinants of job satisfaction (Byars & Rue, 1997). However, there is no universal definition of employee satisfaction that exposes all these dimensions at the same time (Bernadin, 2007). Most of the definitions emphasize the importance of employees' job-related perceptions that link the expectations of them and what they receive in return. Some researchers focus on the overall job satisfaction or even life satisfaction of employees (Judge, 2003) whereas some others underline a variety of satisfaction facets such as satisfaction with pay, promotion, supervisor, or co-workers. For example Judge, (2003) on the other hand, mentions that employee satisfaction is positively correlated with motivation, job involvement, organizational citizenship behavior, organizational commitment, life satisfaction, mental health, and job performance, and negatively related to absenteeism, turnover, and perceived stress and identify it as the degree to which a person feels satisfied by his/her job.

Cranny (2011), suggests that employees' satisfaction encompasses many different facets. Hence, overall employee satisfaction describes a person's overall affective reaction to the set of work and work related factors whereas the facets of job satisfaction involve workers' feelings toward different dimensions of the work and work environment. In contrast, Rousseau (2007) identified three components of employee satisfaction: they are characteristics of the organization, job task factors, and personal characteristics. According to Rousseau's identification, the characterization of the organization and the job task factors can be regarded as work factors in job satisfaction, while personal characteristics can be regarded as non-work factors of job satisfaction (Hagihara, 2008). Job satisfaction is an individual's general attitude regarding his or her job (Robbins, 2009). Mullins (2008) mentioned that motivation is closely related to job satisfaction. Various factors such as an employee' s needs and desires, social relationships, style and quality of management, job design, compensation, working conditions, perceived long range opportunities, and perceived opportunities elsewhere are considered to be the determinants of job satisfaction. Job satisfaction has a significant influence on employees' organizational commitment, turnover, absenteeism, tardiness, accidents, and grievances (Byars &Rue, 1997).

According to Robbins (2009), a satisfied workforce can increase organizational productivity through less distraction caused by absenteeism or turnover, few incidences of destructive behavior, and low medical costs. Job satisfaction has a significant influence on employees' organizational commitment, turnover, absenteeism, tardiness, accidents, and grievances. According to Robbins (2009), a satisfied workforce can increase organizational productivity through less distraction caused by absenteeism or turnover, few incidences of destructive behavior, and low medical costs. In literature, there are a large number of studies that analyze the term from many different perspectives and its relationship with various organizational variables (Lund, 2007).

HR practices and job satisfaction are studied widely in different parts of the world. It is assumed that HR practices are closely associated with job satisfaction (Ting, 2007). Because many scholars and practitioners believe that sound, HR practices result in better level of job satisfaction that ultimately improves organizational performance (Appelbaum, 2010). In Human Resource Management Practice, individuals most likely have a higher level of communication with co-workers, employees and outsiders of the organization; a greater involvement of in decision-making process. It can be said that individuals give high value to these new opportunities, as result their overall job satisfaction might increase when an employee participates in decision-making, he or she can trust his or her supervisors; perceive his or her jobs as challenging and intrinsically rewarding . Trust and intrinsic rewards are in turn positively related to high organizational commitment and positive attitudes toward the job . In addition, as one of the human resource management practices, job rotation might increase employee's job satisfaction by giving him/her a sense of belonging, reducing boredom, and mastering his/her, skills needed for promotions. Freeman, (2000) found that a higher human resource management practice is associated with higher job satisfaction.

Interestingly, however, according to Gordon, (2012) HRMP may have direct negative effects on employee's job satisfaction. He argued that due to team work, the control of a worker over the pace of work might be decreased and peer pressure might be increased, which in turn increases the potential of conflicts among coworkers. Gordon (2012) found that HRM practices had positive effect on job satisfaction of the employees of Dutch public sector whereas individual characteristics such as age, gender, and education had insignificant effect on job satisfaction. Gordon showed that use of specific HR practices in local government organizations in the United Kingdom (UK) was associated with a greater degree of job satisfaction, workplace trust, commitment, effort, and perceived organizational performance. HR practices and job satisfaction are studied widely in different parts of the world. It is assumed that HR practices are closely associated with job satisfaction (Ting, 2007). Because many scholars and practitioners believe that sound, HR practices result in better level of job satisfaction, which ultimately improves organizational performance (Appelbaum, 2010). Gordon (2012) found that HRM practices had positive effect on job satisfaction of the employees of Dutch public sector whereas individual characteristics such as age, gender, and education had insignificant effect on job satisfaction. Gordon (2012), showed that use of specific HR practices in local government organizations in the United Kingdom (UK) was associated with a greater degree of job satisfaction, workplace trust, commitment, effort, and perceived organizational performance.

Incentives as Motivational Tools to Improve Employees' Job Satisfaction

In order to keep workers motivated their needs must be addressed as project goals are reached. Satisfying workers' needs can be viewed as distributing incentives when certain objectives are achieved. Employees have needs that they want met and employers have goals that they reach and they can work together as a team to satisfy the wants of both the employees and their employers. Workers who are motivated to help reach the goal of the employer and do so should be recognized with an incentive/reward.

When considering what type of incentives to use there are two types to be aware of, extrinsic and intrinsic. Extrinsic rewards are external rewards that occur apart from work, such as money and other material things. On the other hand, intrinsic rewards are internal rewards that a person feels when performing a job, so that there is a direct and immediate connection between work and reward. The power of incentives is immense and pervasive, which is all the more reason they require careful management (McKenzie & Lee 1998).

Heap (1987) has summarized a list of these advantages and disadvantages associated with financial incentives. Many construction companies have already considered that there can be advantages and disadvantages of developing an incentive program. A study by Sanders and Thompson (1999) showed that those companies that keep their program simple with the main objective of the program in mind (to benefit the project in reference to cost, schedule, customer service, environment and quality) are also deemed success of any incentive program.

Incentives are usually defined as tangible rewards that are given to those who perform at a given level. Such rewards may be available to workers, supervisors, or top managers. Whether the incentive is linked directly to such items as safety, quality or absenteeism, the reward follows successful performance (MaKenzie & Lee, 1998). Many companies feel that pocket money is to longer a good motivator. Others contend that small rewards such as toasters and blenders do not motivate.

Because of the expense, these programs require careful monitoring. Some companies merely reward good producers with an extra day off with pay. Other concerns reward top performers with better working conditions. Since incentive programs aim to increase workers' performance levels, the measure used to decide if a reward has been earned should be carefully set. The performance level must be attainable or workers won't try to reach the goal. That fact underscores the usefulness of having workers themselves contribute their ideas about what constitutes a reasonable level of performance. An incentive scheme may also fail if the measure of success ignores quality or safety. An obvious problem exists when an incentive is applied to work that is machine paced. Incentives should b e clearly linked to performance, but not all incentives can be clearly tied to objective criteria. Some incentive rewards are issued on the basis of a subjective assessment by a superior on the merit of particular workers. This method, in particular, may cause conflicts between workers, especially thuose who do not win rewards

There are many different types of incentive plans, with the annual performance bonus plan being the best known. Profit sharing plans are also very common, and most people in the workforce have hopefully experienced at least one of these approaches. Every different type of incentive plan has both benefits and drawbacks. An annual performance bonus is very infrequent, once yearly, and therefore difficult to link together with performance. This type of incentive plan also tends to cause to employees to focus on what makes them look good, sometimes at the expense of what may be best for the company's bottom line (Turkson, 2002).

Every organization is concerned with what should be done to achieve sustained high levels of performance through its workforce. This means giving close attention to how individuals can best be motivated through means such as incentives, rewards, leadership etc. and the organization context within which they carry out the work (Armstrong, 2006). The study of motivation is concerned basically with why people behave in a certain way. In general it can be described as the direction and persistence of action. It is concerned with why people choose a particular course of action in preference to others, and why they continue with chosen action, often over a long period, and in the face of difficulties and problems (Mullins, 2005). Motivation can therefore be said to be at the heart of how innovative and productive things get done within an organization (Bloisi, 2003). It has been established that motivation is concerned with the factors that influence people to behave in certain ways.

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Theoretical Review

This study adopted Frederick Herzberg Theory of Motivation. It has been described as the two-factor theory of motivation

Frederick Herzberg Theory of Motivation

This theory was propounded by Frederick Herzberg in 1923. The theory has close links with Maslow and believed in a two-factor theory of motivation. He argued that there were certain factors that an organization could introduce that would directly motivate employees to work harder (**Motivators**). However there were also factors that would de-motivate an employee if not present but would not in themselves actually motivate employees to work harder (**Hygiene factors**)

Motivators are more concerned with the actual job itself. For instance, how interesting the work is and how much opportunity it gives for extra responsibility, recognition and promotion. Hygiene factors are factors which 'surround the job' rather than the job itself. For example a worker will only turn up to work if an organization has provided a reasonable level of pay and safe working conditions but these factors will not make him work harder at his job once he is there. Importantly Herzberg viewed pay as a hygiene factor, which is in direct contrast to Taylor who viewed pay and piece-rate in particular

Herzberg believed that businesses should motivate employees by adopting a democratic approach to management and by improving the nature and content of the actual job through certain methods. Some of the methods managers could use to achieve this are:

Job enlargement – workers being given a greater variety of tasks to perform (not necessarily more challenging) which should make the work more interesting.

Job enrichment - involves workers being given a wider range of more complex, interesting and challenging tasks surrounding a complete unit of work. This should give a greater sense of achievement. **Empowerment** means delegating more power to employees to make their own decisions over areas of their working life.

Empirical Review

Sarbapriya and Ishita (2011) carried out a study on Human Resource Management Practices and Its Effect on Employees' Job Satisfaction. Two research questions and nine hypotheses were formulated which guide the study. The researcher used descriptive design in the methodology. The instrument used was questionnaire. A total of 570 responded to the questionnaire, which formed the sample size for the study. It was found that factors like performance appraisal, participation in decision-making, training and development, empowerment, compensation influencing human resource management practices have significant association with job satisfaction. In addition, performance appraisals, participation in decision-making are found to have high positive impact on job satisfaction. It was also been found that other elements like training and development, empowerment, compensation have substantial impact on employees' job satisfaction. However, job rotation, self-directed work teams, recruitment and selection have very negligible impact on job satisfaction, as their respective statistics are insignificant. However, the work is helpful to this current research work such that one of the researcher's recommendations shows that employee should put into practice equal

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employment opportunities where employer should not discriminate male against female, and minority or old worker.

Idemobi (2011), studied the extent to which compensation management can be used as a tool for improving organizational performance in a typical public sector organization like the Anambra State of Nigeria Civil Service by using questionnaire and concluded that The outcome of hypothesis reveals that the reform programs of the Anambra State Government have not had a significant effect on financial compensation policies and practices of the civil service.

Tahira (2013), checked that what is the degree of organizational dedication and job satisfaction presently in the United kingdom Higher Education sector and universities by using correlation technique and concluded that United kingdom Higher Education sector propose both cash and non-cash basis rewards to members of organization and makes them capable as it count that the member of organization are social agents.

Omoayo (2014) analyze the impact of compensation system on the job performance of employees and work on only preferred private institutes in Ogun State, South-West Nigeria by using questionnaire. He found out that organizations which have more appropriate compensation packages embed an affirmative effect on employees' performance therefore the turnover of employee become less and they sincere with their job and stay in organization.

Muhammad (2014) studied the impact of compensation of employee performance on organization commitment on the performance of employee, by using SPSS as a statically tool and concluded that Compensation in the form of incentives, salaries will perform an important part to enhance motivation of employee in Local Revenue Management.

METHODOLOGY

This study is an empirical investigation as the study was conduct through a self-administered survey questionnaire. The research design used for this research is descriptive survey. It is concerned with the collection of data for the purpose of assessing the effect of compensation on employees' job satisfaction in microfinance banks in Ilorin metropolis.

Questionnaire was the instrument used to elicit information from the employees of selected five microfinance banks in Ilorin metropolis base on their staff strength and compensation packages for their employees. These microfinance banks are: Balogun Fulani Microfinance bank, Balogun Gambari Microfinace bank, Balogun Ajikobi microfinance bank, Ilorin microfinance bank and University of Ilorin microfinance bank. Twenty (20) copies of questionnaire were distributed to each of the Microfinance banks using a convenience, simple random sampling technique and uniform sampling fraction to avoid bias as much as possible. A total of 100 employees of these five (5) microfinance banks were chosen as sample size in a cross-sectional survey research design. This is in consonance with Gotland and Dillman, (2000) which posited that One hundred respondents and above are sufficient to carry out a research. The questions were based on a 5-point Likert attitude scaling ranging from Strongly Agreed, Agreed, Undecided, Disagreed and Strongly Disagreed.

S/N	**MICROFINANCE BANKS**	**TOTAL NUMBER OF EMPLOYEES**	**SAMPLE SIZE**
1	Balogun Fulani Microfinance Bank	31	20
2	Balogun Gambari Microfinance Bank	23	20
3	Balogun Ajikobi Microfinance Bank	20	20
4	Ilorin Microfinance Bank	33	20
5	UnilorinMicrofinance Bank	35	20
	TOTAL	142	100

SOURCE: Field Survey, 2017.

To analyze the data collected from primary sources, regression analysis was adopted to assess the effect of compensation on employees' job satisfaction in selected microfinance banks in Ilorin metropolis.

DATA PRESENTATION AND ANALYSIS

Table 1: Sex of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	55	55.0	55.0	55.0
	female	45	45.0	45.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey, 2017

Table 1 above shows the gender distribution of the respondents. It is revealed that Fifty-five (55) respondents were male, which constitute 55.0%, while Forty-five (45) were female which constitute 45.0%. This implies that, male employees are more female employees in many of the Microfinance banks in Ilorin metropolis.

Table 2: Age of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	16 - 25	18	18.0	18.0	18.0
	26 - 35	48	48.0	48.0	66.0
	36 - 45	24	24.0	24.0	90.0
	46 and above	10	10.0	10.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey, 2017

Table 2 above shows the age distribution of the respondents. It is revealed that Eighteen (18) respondents were age 16-25 years representing 18.0%, Forty-eight (48) were between 26-35 years representing 48.0%, twenty-four (24) respondents were age 36-45 representing 24.0% while Ten (10) respondents representing 10.0% were between 46 and above. This implies that, many microfinance banks in Ilorin employ the middle age of 26-35 years more than other age bracket.

Table 3: Highest Educational Qualification of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree in view	1	1.0	1.0	1.0
	NCE /OND	38	38.0	38.0	39.0
	HND / B.SC	52	52.0	52.0	91.0
	MBA / M.SC	9	9.0	9.0	100.0
	Total	100	100.0	100.0	

Field Survey, 2017

Table 3 above shows the academic qualifications of the respondents. It is revealed that one (1) respondents representing 1.0% was having his degree in view, Thirty-eight (38) were NCE/OND holder representing 38.0%, Fifty-Two (52) respondents were HND/B.Sc. holders representing 52.0% while Nine (9) respondents representing 9.0% were MBA/M.Sc. holders. This implies that, many microfinance banks in Ilorin tend to employ graduates with HND/B.Sc. than other degree holders.

Table 4: Staff Category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Senior Staff	35	35.0	35.0	35.0
	Junior Staff	50	50.0	50.0	85.0
	Common Staff	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

Field Survey, 2017

Table 4 above shows the staff category of the respondents. It is revealed that Thirty-five (35) respondents representing 35.0% were Senior Staff, Fifty (50) representing 50.0% were Junior Staff, Fifteen (15) representing 15.0% were common/contract staff. This implies that, many microfinance banks in Ilorin employees more Junior Staff than other categories of staff for their maximum contribution towards the achievement of their goals.

TEST OF HYPOTHESIS ONE

$H_{o1:}$ Rewards do not have significant effect on employees' job satisfaction in microfinance banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.245[a]	.060	.051	1.09991

a. Predictors: (Constant), AveRO

Table 4.1 above reveals that the coefficient of determination is 0.060; the implication of this is that about 60.0% of the variation in reward system measures is explained by variables in the model; while the remaining 40.0% is explained by other factors which are not included in the model. The regression equation (model formulated) is thus very useful for making predictions since the value of R^2 is close to 1.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.977	1	4.977	17.737	.000[b]
	Residual	27.496	98	.281		
	Total	32.473	99			

a. Dependent Variable: AVEEJS
b. Predictors: (Constant), AVERO

The calculated ANOVA table is analyzed to see if *any* of the variables are significant. From the ANOVA table, $F = 17.737$, p-value = 0000 < 0.05 (sig.). Since p-value < 0.05 (critical value), the null hypothesis is rejected and the alternative accepted. This implies that Rewards have significant effect on employees' job satisfaction in microfinance banks, therefore the model is useful.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.070	.557		3.715	.000
	AVERO	.538	.128	.391	4.212	.000

a. Dependent Variable: AVEEJS

The table 4.3 "Coefficients" provides information effect of individual variables (the "Estimated Coefficients" or "beta") on the dependent variable. The coefficient of Rewards is 0.538 with p-value of 0.000 less than 0.05% (critical value); This implies that this variable has contributed to the model. Hence, there is significant relationship between reward and employees' job satisfaction in microfinance banks in Ilorin metropolis.

HYPOTHESIS TWO

H_{O2}: Significant Relationship Between Indirect Compensation and Employees' Job Satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.560[a]	.314	.307	.47673

a. Predictors: (Constant), AVEIC

Table 4.1 above reveals that the coefficient of determination is 0.314; the implication of this is that about 31.0% of the variation in reward system measures is explained by variables in the model; while the remaining 69.0% is explained by other factors which are not included in the model. The regression equation (model formulated) is thus very useful for making predictions since the value of R^2 is close to 1.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.200	1	10.200	44.881	.000[b]
	Residual	22.272	98	.227		
	Total	32.473	99			

a. Dependent Variable: AVEEJS
b. Predictors: (Constant), AVEIC

The table 4.3 "Coefficients" provides information effect of individual variables (the "Estimated Coefficients" or "beta") on the dependent variable. The coefficient of Indirect Compensation is 44.881 with p-value of 0.000 which is less than 0.05% (critical value), This implies that this variable has contributed to the model. Hence there is significant relationship between indirect compensation on employees' job satisfaction in microfinance banks in Ilorin metropolis.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.721	.403		4.267	.000
	AVEIC	.610	.091	.560	6.699	.000

a. Dependent Variable: AVEEJS

The table 4.3 "Coefficients" provides information effect of individual variables (the "Estimated Coefficients" or "beta") on the dependent variable. The coefficient of indirect compensation is 0.610 with p-value of 0.000 which is less than 0.05% (critical value), This implies that this variable has contributed to the model. Hence there is significant relationship between indirect compensation and employees' job satisfaction in microfinance banks in Ilorin metropolis.

Discussion of the Findings

The study examined the effect of compensation on employees' job satisfaction in selected banks in Ilorin metropolis.

The results of this study have showed that employees in microfinance banks are contented by the compensatory measures by the bank management. However, certain issues have been unearthed in current study which needs immediate attention by competent authorities. Majority of the respondents have a firm belief that there is a positive and direct relation among rewards and employees' job satisfaction. This shows that employees of microfinance banks observe clear link between rewards for their work and job satisfaction along with career progression.

Many employees of microfinance banks agreed if all the Microfinance banks in Ilorin offer fringe benefits including gratuity, pension payment, and medical benefits will lead to employees' job satisfaction because they are tools of motivation. The analyses show that employees have declared their fringe benefits and insurance policy as major components of their compensation plan and have acknowledged one of the major cause of job satisfaction. Rewards also included giving opportunities to the employees in order to grow and learn through training and development programs provided by the organization.

Conclusion and Recommendations

This study has presented a snapshot about the present and concerning issues of compensation in selected microfinance banks in Ilorin metropolis along with success factors of the banks which have retained its employees with increase job satisfaction. The current study has concluded that the compensation has a direct and intense relation with the job satisfaction as well as job motivation. Results also revealed the changing trend of compensation plans in financial institutions of Nigeria. It shows that employees and employers are getting inclined towards financial as well as non financial rewards where appreciation, high performer certificate, delegated authority and many other mechanisms could work well keeping the salary constant.

The study has therefore proffered the following recommendations:

1. The study recommended, that Microfinance banks need, to focus a lot on the well-being of its most precious assets that is Human resources. The management needs to focus on its human capital which is the primary source of achieving competitive advantage. Healthy balance between employee's work life and life outside the work need imperative importance.

2. The study recommended that bonus systems may be injected in microfinance banks to reward efficient and hard working employees so that they can be retained. Although, sound reward system is also being introduced in many microfinance banks, yet seniority oriented bonuses should be revised in order to make them performance oriented so that employees could feel transparency in compensatory plans.

3. The study also recommended that, culture of praise and verbal appreciation should be encouraged in bank branches from the manager and senior officers. Since it helps to motivate the employees and keep them determined towards their work.

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