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Abstract

Fringe benefits have been recognized as a way that motivate employees to increase their work output above the expected, therefore increasing employee performance. Fringe benefits are types of non-wage compensation provided to employees in addition to their normal wages or salaries. Employers have become more aggressive about restructuring work in ways that push for higher productivity supported by an array of technologies and management practices. The study sought to determine the effect of fringe benefits on employee performance. Expectancy Theory on fringe benefits was used to inform the study. The study adopted a descriptive research design. Descriptive statistics was chosen since it utilized data collection and analysis techniques that yield reports concerning the measures of central tendency, variation, and correlation. The combination of its characteristic summary and correlation statistics, along with its focus on specific types of research questions, methods, and outcomes necessitated the choice of this design. The study adopted a positivism philosophy. The target population was 22,856 employees working in the six selected

Commercial Banks in Nairobi City County composed of both clericals and Management staff. Krejcie and Morgan sample size determination table was used to derive a sample of 377 respondents. Primary data was collected using structured questionnaires that had both close ended and open-ended questionnaires. Quantitative data were analyzed using SPSS. The study conducted various tests including normality test, multicollinearity, stationarity, heteroscedasticity and autocorrelation tests. Factor analysis was carried out among corresponding questions to allow formation of factors with the highest Eigen values. Test of hypothesis was done at 95% confidence interval. The study established a positive and significant relationship between fringe benefits and employee performance ($r=0.522$, $p=0.000$), the alternate hypotheses was not rejected. Based on the findings, the study concluded that fringe benefits has a positive and significant effect on employee performance. The researcher recommends that management Commercial Banks should enhance fringe benefits to attract, retain and motivate qualified, competent employees. Employers who provide more attractive benefits package have an advantage over other employers in hiring and retaining qualified employees.

Keywords; *Fringe Benefits, Employee Performance, Commercial Banks & Nairobi City County, Kenya.*

1.0 Introduction

1.1 Background of the Study

Fringe benefits have been recognized as rewards that motivate employees to increase their work output above the expected, therefore increasing employee performance. Fringe benefits are types of non-wage compensation provided to employees in addition to their normal wages or salaries. According to Mathis, Jackson and Valentine (2013), employee benefits are forms of indirect compensation given to an employee or group of employees as a part of organizational membership. Bratton and Gold (2009) define them as that part of the total reward package provided to employees in addition to base or performance pay. Law mandates some of these benefits, which include compensation, social security and unemployment insurance. However, most of these benefits offered to employees are bestowed at the discretion of the business owner. Such benefits range from major expenditures as paid holidays, paid vocation, health insurance and profit sharing to more modest extras like bestowing performance awards and prizes, providing an employee lunchroom, or paying for a company picnic.

According to Doreen and Nkrumah (2013) a properly administered system of benefits can provide incentive for quality workmanship and staff performance. Likewise, a poorly administered reward system can lead to low morale, unproductive performance and even lead to a high percentage of staff turnover. A reward system is successful when the staff interprets its policies as even handed, consistent and relevant (Aktar, Sachu, & Emran , 2012). Due to heavy inflow of multinational banks in Kenya, a new culture in the banking sector based on performance, rewards and compensations have emerged. Employees are feeling the pressure of the ever rising targets from the employers. Employers have become more aggressive about restructuring work in ways that push for higher productivity supported by an array of technologies and management practices. The relentless drive for more in the work place in pursuit of higher market share has created harshness in the office. The imposition of performance quotas in the banking sector is making employees to put in extra hours to meet the often staff deadlines (Kithuka, 2015).

1.2 Statement of the Problem

In order to attain their bottom line, commercial banks require the input of employees. These employees are supposed to be well motivated and remunerated in order to unleash their full potential. According to Aktar, Sachu and Emran (2012) motivation is the key of a successful organization to maintain the continuity of the work in a powerful manner and help organizations to survive. Motivated employees are more likely to stay, increase the organization productivity and reduce the cost of recruitment and training (Apeyusi, 2012).

Fringe benefits is one of the important elements to motivate employees for contributing their best effort (Karami, Dolatabadi & Saeed, 2013). It is based on this understanding that commercial banks in Kenya have adopted a reward system (Wanjala, 2015). These Fringe benefits prompt them to drive the target in an enthusiastic manner that translate to an improvement in the performance of commercial banks. Fringe benefits is one of the strategies used in organizations to improve organizational performance. Therefore, this study sought to ascertain the influence of fringe benefits on employee performance in Commercial Banks, in Nairobi City County in Kenya

1.3 Objective of the Study

The objective of the study was to investigate the influence of fringe benefits on employee performance in large Commercial Banks in Nairobi City County in Kenya.

1.4 Research Hypothesis

H₁: Fringe benefits have a positive significant influence on employee performance in large Commercial Banks in Nairobi City County in Kenya.

2.0 Literature Review

2.1 Theoretical Review: Expectancy Theory

The expectancy theory is one of the motivational theories proposed by Victor Vroom in 1964. It encompasses what motivates employees in an organization. Motivation is a force that energizes, directs and sustains behavior (Nteere, 2012). Motivation can also be defined as the complex of forces inspiring a person at work to willingly use his capacities for accomplishment of certain objectives (Saleem, 2010). The expectancy is the belief that one's effort will result in attainment of their goals. An illustration of this in an organization is where an employee works extra hard to attain organization targets in completing the task in order to enhance his/her performance. This motive is propelled by the anticipation for the reward such as fringe benefit that is given to top performing employees in an organization. Therefore, in a firm where high performing employees are rewarded with fringe benefits, it results to higher performance because workers are motivated (Raheel, 2013).

According to the University of Cambridge (2015), the belief in an individual is based on one's past experience and the perceived difficulty of the attainment of the goal. When applied in this study, it implies that the outcome an employee experienced when she or he accomplished task assigned faster than expected. The expectancy theory advances that even though individuals have different sets of goals, they can be motivated to work if they believe that there is a positive correlation between efforts and performance (Robbins & Judge, 2012). The other belief is that favorable performance will result in a desirable reward. Another belief on the theory is whether

the reward will satisfy an important need and finally the desire to satisfy the need is strong enough to make the effort worthwhile.

Expectancy theory is comprised of three components such as Instrumentality, Expectancy and Valence (Lunenburg, 2012). Valency is the value an individual places on the rewards (Sinha, 2015). There may be intrinsic such as satisfaction or extrinsic which include pay increase, time-off, promotion, recognition or fringe benefits. Expectancy as explained above refers to level of expectation and confidence of accomplishing a task. It is influenced by variables such as self-efficacy, goal difficulty and one's perceived control over performance (Sanders, 2012).

Instrumentation is the belief that if one meets performance expectations, he or she will receive a greater reward (McShane & Von Glinow, 2011). This reward may come in the form of a promotion, pay increase or sense of accomplishment. Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoids pain (Hartzell, 2015). Therefore, the interaction of the three variables leads to increased motivation and morale among employees. When workers are motivated they will unleash their potential and the organizational operations will be efficient. They will also be willing to put extra effort in their line of duty with others in the organization in order to improve organization performance. The theory supports the variable fringe benefits by hypothesizing that employee will be motivated to put extra effort to improve their performance when they expect benefits such as paid holidays, health insurance, profit sharing and extras like bestowing performance awards and prizes.

2.2 Empirical Review

Fringe benefits have been recognized as rewards that motivator employees to increase their work output above the expected, therefore increasing employee performance. Fringe benefits are types of non-wage compensation provided to employees in addition to their normal wages or salaries. According to Mathis, Jackson and Valentine (2013), employee benefits are forms of indirect compensation given to an employee or group of employees as a part of organizational membership. Bratton and Gold (2009) define them as that part of the total reward package provided to employees in addition to base or performance pay. Some of these benefits are mandated by law, which include compensation, social security and unemployment insurance. However, most of these benefits offered to employees are bestowed at the discretion of the business owner. Such benefits range from major expenditures as paid holidays, paid vocation, health insurance and profit sharing to more modest extraslike bestowing performance awards and prizes, providing an employee lunchroom, or paying for a company picnic.

The major objective of fringe benefits to most organizations is to attract, retain and motivate qualified, competent employees. Mathis, Jackson and Valentine (2013) contend that employers who provide more attractive benefits package have an advantage over other employers in hiring and retaining qualified employees. According to a report by ResearchClue.com (2015) fringe benefits maintain good and healthy employee relation in an organization. The report further augmented that for any organization to achieve its goal, it must design various strategies to make employees happy such as offering fringe benefits. When an organization offers attractive benefits, performance also increases.

2.3 Conceptual Framework

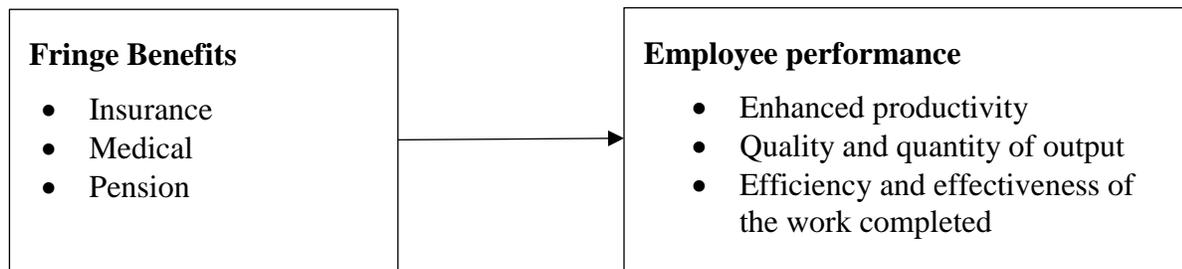


Figure 1: Conceptual Framework

3.0 Research Methodology

This study adopted positivism research philosophy and a descriptive research design. The target population was 22,856 employees working in the six selected Commercial Banks in Nairobi City County composed of both clericals and Management staff. The study sampling frame comprised of six commercial banks in Kenya entailing both the management and clerical staff. The study used a stratified sampling technique to obtain 377 respondents. Primary data was obtained from the respondents using structured questionnaire. A Likert scale of 1 to 5 (1= Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 =Agree, 5 = Strongly Agree) was presented for answering by respondents.

Cronbach's alpha was used to test the reliability of the measures in the questionnaire (Cronbach, 1995). Data analysis was done using SPSS. The study conducted normal distribution test for the dependent variable for normality distribution. The particular descriptive statistics used included frequencies and percentages while the particular inferential statistics included Pearson correlation analysis and regression. Correlation analysis was used to establish either positive or negative relationships between the variables. The following diagnostic tests were conducted prior data regression analysis. Multicollinearity was tested using variance inflation factor VIF. The test for autocorrelation was performed to establish whether residuals are correlated across time (autocorrelation).

The regression model that was used is;

$$Y = \beta_0 + \beta_1 X + \varepsilon$$

Where:

Y = Employee Performance

X = Fringe Benefits

β_1 = Coefficient of the variable

ε = Error term

4.0 Results and findings

4.1 Descriptive Statistics

The objective was to establish the influence of Fringe Benefits on employee performance in large Commercial Banks in Nairobi City County in Kenya. For the purposes of interpretation 4 & 5 (agree and strongly agree) were grouped together as agree, 1 & 2 (strongly disagree and disagree) were grouped as disagree while 3 was undecided. The results of this study are as depicted in table 1.

Table 1: Fringe Benefits

Statement	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Mean	S.D
The organization provides insurances to employees	0.4%	0.7%	1.1%	24.4%	73.4%	4.7	0.6
Medical insurance is very important to me	0.0%	0.7%	1.1%	27.4%	70.7%	4.7	0.5
There are pension schemes in our organization	0.8%	0.4%	0.4%	25.0%	73.5%	4.7	0.6
Fringe benefits increases my willingness to put extra effort in assigned task	0.7%	3.7%	17.0%	58.5%	20.0%	3.9	0.8
My fringe benefits are added when I work hard than before	1.5%	7.1%	42.0%	37.5%	11.9%	3.5	0.8
When a department perform exemplary, its members are taken for a picnic	5.6%	10.1%	61.6%	13.8%	9.0%	3.1	0.9
Fringe benefits increases employees morale in this organization to put extra effort in the tasks assigned	4.8%	1.1%	7.7%	71.2%	15.1%	3.9	0.8
When a department perform exemplary well they are taken for a paid vocation	7.0%	10.0%	55.0%	19.6%	8.5%	3.1	1.0
Fringe benefits increases employee productivity	4.4%	2.2%	13.3%	60.5%	19.6%	3.9	0.9
Fringe benefits increases willingness of employees to help other employees when in difficulties	4.1%	2.2%	11.9%	63.3%	18.5%	3.9	0.9

Respondents were asked whether their organization offer insurances to their employees. A majority of 97.8% (73.4% + 24.4) agreed, 1.1% were undecided, 0.7% disagreed and 0.4% strongly disagreed. Almost similar results were obtained when respondents opinion was sought regarding pension schemes. This is an indication that Commercial Banks in Kenya offer insurances and pension schemes to their employees. Both are some of the fridge benefits banks offer to their

employees. The results are consistent with a study conducted by Ombasa(2013) in Kenya in which 75% of the respondents agreed that Commercial Banks offer fringe benefits such as medical cover and insurances to their employees.

According to Mathis, Jackson and Valentine (2013) the major objective of offering fringe benefits is to motivate employees to work harder, to attract and to retain competent employees. Organizations that offer attractive fringe benefits have an advantage over those which do not in terms of hiring competent workers and reducing rate of turnover. Therefore, fringe benefits are very important to the employees. This is evidenced by result on the respondents opinion whether medical insurance is important to employees where 98.1% agreed, 1.1% were undecided and 0.7% disagreed. This an indication that employee benefits, forms one of most vital reward type among staff. This is in agreement with a study conducted in USA, Malaysia, Vietnam by Tessema and Embaye (2013) which revealed that employee benefits have a positive significant impact on job satisfaction of employees regardless of income level.

The study further sought the opinion of employees as to whether fringe benefits increase their willingness to put extra effort in assigned task. 78.5% agreed, 17% were undecided, 3.7% disagreed and 0.7% strongly disagreed. The result indicates that fringe benefits motivate workers to put extra effort in task assigned. This was further confirmed by result seeking opinion of the respondents as to whether fringe benefits increases employee morale in their organization to put extra effort in the tasks assigned. In this statement 78.5% agreed, 17% were undecided, 3.7% disagreed and 0.7% strongly disagreed. This is an indication that fringe benefits increases morale of the employees and encourage them to work harder and be more productive. This is in line with a study conducted in Kenya by Kamau (2013) on effects of fringe benefits on productivity, which found out that these benefits contribute positively to employee productivity. To the younger employees fringe benefits gives a compelling reason to continue working for the organization while the older workers are encouraged to retire on time.

Respondents were asked their opinions as to whether fringe benefits are added when they work hard than before. 49.4% agreed, , 42.0% were undecided, 7.1% disagreed and 1.5% strongly disagreed. The results show that it is unlikely for fringe benefits to be added. Most of the employee benefits are fixed and do not change unless in rare circumstances. According to Bratton and Gold (2009) some of these benefits are mandated by law. They include compensation, social security and unemployment insurance which are rarely adjusted.

The study further sought the opinion of the respondents as to whether when a department performs exemplary well are taken for a picnic or paid vocation. The opinion on picnic showed that 9.0% strongly agreed, 13.8% agreed, 61.6% were undecided, 10.1% disagreed and 5.6% strongly disagreed. Responses of opinion of the same statement but regarding paid vocation showed similar results. This is an indication that Commercial Banks rarely take their employees on picnic or paid vocation, which somehow is detrimental to the organization. Paid vocation have many advantages to both the employee and the employer. According to Yakowicz(2017) paid vocation ensures the brain think positively and this improves productivity by 31%, increases company sales by 37% and increases creativity. The author advances that paid vacation is a competitive advantage in the modern economy because it leads to a positive and engaged brain. However, for the brain to be engaged, it must be given a break, to avert burnout.

To the employer paid vocation gives them an opportunit to look how the employee has been performing on the job since another person will take over. Every job has potential for errors to

build up, therefore, when one take a break it gives the management time to solve the problem before it escalate to dangerous levels. Lucas(2017) argues that paid vocation can prevent fraud especially to employees that are involved in controlling a number of transactions. Taking a vocation makes it harder for an employee to run a scam because they will be absent to take care of it. Finally on fringe benefits opinion was sought from the respondents as to whether fringe benefits increase willingness of the employees to help others employees when in difficulties. In this statement, 81.8% agreed, 11.9% were undecided, 2.2% disagreed and 4.1% strongly disagreed. This is an indication that fringe benefits motivate majority of the employees to help their fellow employees willingly when in difficulties. This is due to increased job satisfaction that is associated with employee benefits (Tessema & Embaye, 2013).

Overall, the average mean of the responses was 3.9 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 0.9 meaning that the responses were clustered around the mean response.

4.2 Correlations Analysis

Correlation analysis was carried out to detect the association between the dependent variable, employee performance and the independent variable of fringe benefits.

Table 2: Correlation Analysis

Variable		Employment Performance	Fringe Benefits
Employment Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Fringe Benefits	Pearson Correlation	.498**	1.000
	Sig. (2-tailed)	0.000	

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

The results in table 2 indicated that fringe benefits was positively and significantly associated to employee performance ($r=0.498$, $p=0.00<0.05$).

4.3 Diagnostic Tests

The study conducted various tests and these tests included test for normality, test for multicollinearity, unit root test, heteroscedasticity test and test for autocorrelation

4.3.1 Test for Normality

To test the normality of turnover intention (dependent variable) was done by use of Kolmogov-Smirvov test. The hypothesis was tested at a critical value at 0.05, where the rule is that reject H0 if the probability (P) value is less than 0.05 or else fail to reject. The dependent variable should be normally distributed because the study was analyzed using a multiple regression model where the condition of normality must be satisfied (Quataroli & Julia, 2012).

Table 3: Test for Normality

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Employment Performance	0.106	273	0.000	0.954	273	0.000
Fringe Benefits	0.160	273	0.000	0.885	273	0.000

Table 3 indicates that using the of Kolmogov-Smirvov and Shapiro-Wilk test of normality, variables data are normal since the p-values are 0.000 which are below 0.05 for the variables and thus we reject the null hypothesis (H0) and accept the alternative hypothesis (H1). The study concluded that fringe benefits and Employment Performance are normal in distribution and hence subsequent analysis could be carried out.

4.3.2 Test for Linearity

Linearity assumes a straight-line relationship between the predictor variables and the criterion variable. This was assessed by examination of a scatter plot of independent variable against the dependent variable to measure if there is a straight-line relationship. The independent variable depicted a straight-line relationship with the dependent variable as shown in Figure 2.

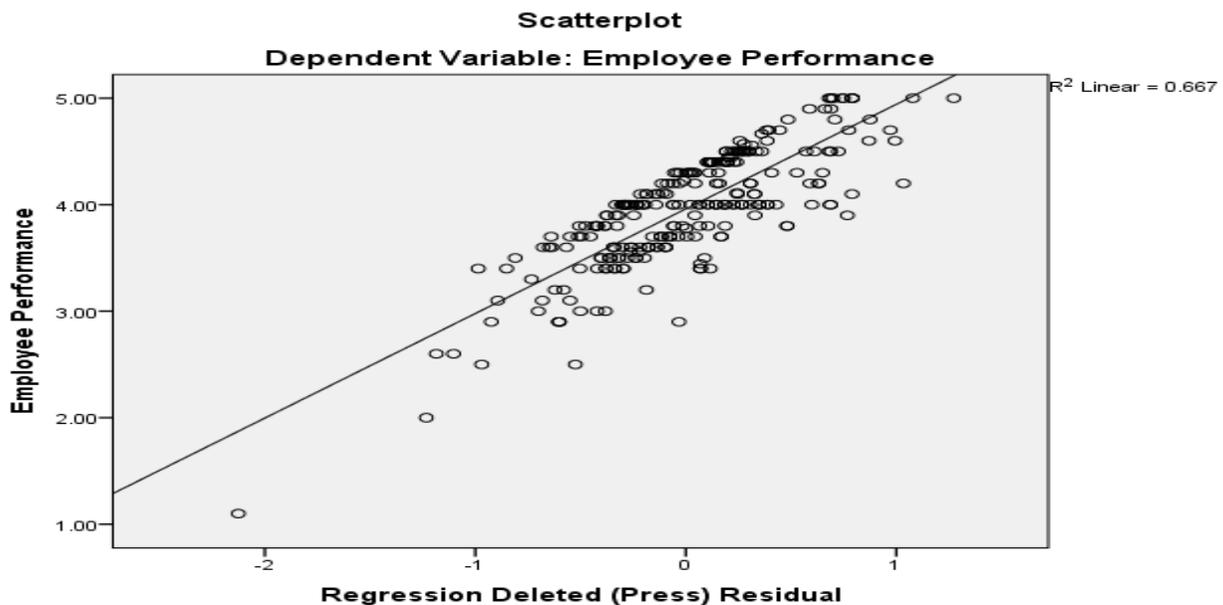


Figure 2: Linearity Results

4.3.3 Test for Heteroscedasticity

Heteroscedasticity test was run in order to test whether the error terms are correlated across observation in the cross sectional data (Long & Ervin, 2000). The null hypothesis is that the data does not suffer from Heteroscedasticity since the p-value is greater than the 5%. The null hypothesis was not rejected at a critical p value of 0.05 since the reported value was 0.184 > 0.05.

Thus, the data did not suffer from heteroscedasticity. The results in Table 4 indicate that the null hypothesis of constant variance is not rejected as supported by a p-value of 0.184.

Table 4: Heteroscedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
Ho: Constant variance		
Variable: fitted values of Employee Performance		
chi2(1)	=	5.56
Prob > chi2	=	0.184

4.3.4 Test for Autocorrelation

In Table 5, the dependent variable must be independent and this was tested using Durbin-Watson (d) test which state that d=2 indicates that there is no autocorrelation. The value of (d) always lies between 0 and 4 where 0 indicates autocorrelation while above 1 indicates the residuals are interdependent, the results from the study presented 1.728 which indicates that the residuals are not autocorrelated.

Table 5: Durbin Watson test

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.722a	0.522	0.515	0.37816	1.728

4.3.5 Test for Multicollinearity

Multicollinearity is a statistical phenomenon in which two or more predictor variable in a multiple regression model are highly correlated, the undesirable situation where the correlations among the independent variables are strong. A set of variables is perfectly multicollinear if there exists one or more exact linear relationship among some of the variables. Tolerance of the variable and the VIF value were used where values more than 0.2 for Tolerance and values less than 10 for VIF means that there is no multicollinearity.

For multiple regressions to be applicable there should not be collinearity among variables. Statistics used to measure multicollinearity include tolerance and variance inflation factor. From the findings, the all the variables had a tolerance values >0.2 and VIF values <10 as shown in Table 6. Indicating that there is no multicollinearity among the independent variable (fringe benefits)

Table 6: Multicollinearity test using Tolerance and VIF

Variable	Collinearity Statistics	
	Tolerance	VIF
Fringe Benefits	0.419	2.386

4.4 Regression Analysis

4.4.1 Fitness of Model

Regression analysis was conducted to determine whether there was a significant relationship between fringe benefits and employee performance. Table 7 presents the regression model on fringe benefits versus employee performance. As presented in the table, the coefficient of determination R Square is 0.248 and R is 0.498 at 0.01 significance level. The model shows that fringe benefits explain 24.8% of the variation in employee performance. This implies that there exist a positive significant relationship between fringe benefits and employee performance.

Table 7 Model Fitness for Fringe Benefits

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498a	0.248	0.245	0.47002

The Analysis of Variance (ANOVA) result are shown in Table 8. The finding further confirm that the regression model of performance on fringe benefits index is significant for the data $F = 88.555$, $p < 0.01$) since p-values was 0.00 which is less than 0.05.

Table 8: Analysis of Variance for Fringe Benefits

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.564	1	19.564	88.555	.000a
Residual	59.428	269	0.221		
Total	78.992	270			

4.4.2 Analysis of Variance

Table 9 shows the coefficient for fringe benefits. The fitted model from the result is $Y = \beta_0 + \beta_1 X_1 + \epsilon$

$$Y = 1.902 + 0.522X_1$$

This implies that a unit change in fringe benefits will increase employee performance by the rate of 0.522.

Table 9: Fringe Benefits and Employee Performance

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.902	0.221		8.622	0.000
Fringe Benefits	0.522	0.055	0.498	9.410	0.000

4.4.3 Hypothesis Testing for Fringe Benefits

The Hypothesis to be tested was:

H₁: Fringe benefits have a positive significant influence on employee performance in large Commercial Banks in Nairobi City County in Kenya.

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria was that, if the p value is less than 0.05, we reject the H₁ but if it is more than 0.05, the H₁ is not rejected. Therefore, the alternate hypothesis is that fringe benefits have a positive significant influence on employee performance in large Commercial Banks in Nairobi City County in Kenya. Results in table 9 shows that the p-value was 0.000. This was supported by a calculated t-statistic of 9.410 that is larger than the critical t-statistic of 1.96. The alternate hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis fringe benefits have a positive significant influence on employee performance in large Commercial Banks in Nairobi City County in Kenya.

5.0 Conclusions

Based on the findings, the study concluded that fringe benefits has a positive and significant effect on employee performance in large Commercial Banks in Nairobi City County in Kenya. Benefits such as meal transport and house allowances contributed positively to employee performance, health of the workforce is inextricably linked to the performance of the workforce. Retirement benefits strongly influenced workers' behavior, giving younger workers a compelling reason to continue working for their employer and encouraging older workers to retire on a timely basis and finally that, recognizing and rewarding employees for a job well done enhances employee performance. Benefits are often more effective than pay in helping to achieve objectives related to recruitment, retention and motivation of employees, cost management, and social responsibility. They include of this are profit-sharing plans, work-and-family programs and flexible benefit plans.

6.0 Recommendations

The researcher recommends that management Commercial Banks should enhance fringe benefits to attract, retain and motivate qualified, competent employees. Employers who provide more attractive benefits package have an advantage over other employers in hiring and retaining qualified employees. When strategies on fringe benefits are increased, employees are happy such performance also increases.

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