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COMPENSATION PRACTICES AND EMPLOYEE PERFORMANCE OF SOME SELECTED SMALL AND MEDIUM SCALE ENTERPRISES IN SEKONDI -TAKORADI METROPOLIS

LUCY RICHLOVE BEYAW

2022

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COMPENSATION PRACTICES AND EMPLOYEE PERFORMANCE OF SOME SELECTED SMALL AND MEDIUM SCALE ENTERPRISES IN SEKONDI -TAKORADI METROPOLIS

BY

LUCY RICHLOVE BEYAW

Dissertation submitted to the Department of Human Resource Management, School of Business, College of Humanities and Legal Studies, University of Cape Coast in Partial Fulfilment of the Requirements for the Degree of Master of Business Administration in Human Resource Management

JUNE 2022

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own work and that no part of it has been presented for another degree of this university or elsewhere.

Candidate's Signature……. Date……

Name: Lucy Richlove Beyaw

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature…….....…Date.……

Name: Prof. Nana Yaw Oppong

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ABSTRACT

The main aim of the study was to assess the form of compensation practices on employee performance amongst SMEs in Sekondi -Takoradi Metropolis. The research approach chosen for this study was quantitative and both descriptive research and explanatory research design were adopted for this study. Out of 1845 employees, a sample size of 320 was randomly sampled. A self-administered questionnaire was used in the data collection. Descriptive statistics such as frequencies and percentages and regression analysis were used to analyse the objectives. The study found that both direct and indirect forms of compensation are given to workers with SMEs in the Secondi-Takoradi Metropolis. Direct compensation given to employees included bonuses, commissions, wages, salaries and advanced pay. While indirect compensation included subsidised food, medical aid, social security, fringe benefits, insurance benefits and staff meals. Again, the study found that the workers perform well, and maintain professional working relationships. It was found that, both direct and indirect compensation have a strong significant influence on SME workers' performance. The study concluded that both direct and indirect compensation had a strong influence on SME workers' performance in within the Secondi-Takoradi Metropolis. The study recommended that, owners and managers of the SMEs should ensure that they continuously provide improved compensation packages that are satisfying to their workers even though they were found to have a low influence on performance compare to indirect compensation packages.

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DEDICATION

To my husband

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CHAPTER ONE

INTRODUCTION

Compensation is a crucial instrument for the attraction and retention of talented employees that are dedicated to their responsibilities within the firm. Compensation of employees aims to promote the achievement of business goals through attracting, motivating and retaining hard working ones (Shieh 2008; Petera 2011). Compensation is a crucial component of the overall management of an organisation. It is therefore imperative to examine how compensation is managed with Small and Medium Scale Enterprise and its relationship with performance.

Background to the Study

Compensation is an area that has not been given much attention in the corporate world, leading to many industrial actions from employees. Organisations that do not manage compensation properly, will not be able to achieve its objectives due to unproductive employees (Holmes, 2010). Organisations and institutions all over the world need the services of other individuals to make it productive (Drucker, 2012; Fullan, 2012). The success or failure of such organisation and systems depend mainly on the ability, intelligence or the character of its workers that are found there (Drucker, 2016). According to Afriyie, Blankson and Doumbia (2013) one essential of HRM is compensation.

Compensation is an important issue which needs to be addressed because it directly or indirectly affects profitability and competitiveness of an organisation as well as the wellbeing of employees. It has a major impact on employees' standards of living and communicates to them the degree to which

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the employer values their contribution. It is an important tool for employers in influencing employee attitudes such as perceptions of fairness and employee behaviour including whether an employee is attracted to and remains with the employer and how effective the employees use their time at work.

Research in the past attests to the fact that compensation comprises more than just money (Heartfield, 2014). It is also said that since compensation is linked to the organisation's strategy for survival and competitive advantage, constantly changing the strategy of an organisation to achieve competitive advantage and business goals will also mean a constantly keeping the compensation strategy also in view to meet the human resource at the point of their needs (Mitra, Gupta & Jason, 2011). This will help better motivate them to achieve the organisation's goals and objectives. It is important that a compensation program should address the vision of both the company and the individual employee (Cloutier, Felusiak, Hill & Pemberton-Jones, 2015). Compensation packages should be continually assessed, modified, analyzed and adapted to ensure that high-performing employees have their eyes on the same price as the company owners (Wagari, 2020).

Performance on the other hand is seen as the record of outcomes on a specified job function or activity during a specified time period (Gladisa & Susanty, 2018). Truelove, Yeung, Carrico, Gillis and Raimi (2016) state that performance is the achievement of targets of the tasks assigned to employees within particular period of time. Employee performance in a firm is a very important area in the workplace. It can help the firm increase and utilize the capacity of the human resources it has. It translates into good service delivery and interaction in which affects every area of the organisation (Cahill,

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McNamara, Pitt-Catsouphes & Valcour, 2015). To achieve this, organisations need to make polices that will encourage employee performance. According to Truelove, et al. (2016), an employee's job performance depends also on compensation packages received by them.

It has been found that there is a significant relationship between compensation and employee performance (Shin-Rong & Chin-Wei, 2012). Mayson and Barret (2016) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. On the other hand, Syahreza, Lumbanraja, Dalimunthe and Absah (2017) found that the compensation system used for the sales people has significant effects on individual salesperson performance and sales organisation effectiveness. Therefore, in an ever-competitive business environment, many companies globally, in Africa, regionally and locally are today attempting to identify innovative compensation strategies that are directly linked to improving employee performance (Khudhair, Rahman & Adnan, 2020).

In Canada, according to Long (2017), companies tend to initiate compensation strategies in the aspects of direct and indirect financial compensation as well as benefits that motivates and ultimately improves performance. The financial compensation such as wages, salaries or performance-related payments is evidently adhered to in many organisations in order to retain employees and outwit their rivals. The employee benefits in the country are designed to protect employees and their families from loss of income due to health problems or other work-related financial disruptions, and

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can improve the employees' general quality of life through special programs and services in the workplace (Jean, Ngui & Robert, 2017).

Ali and Raza include additional health coverage that is not included in the provincial plan such as medical, prescription, vision and dental plans, group disability, employee assistance plans, retirement benefit plans, and so on. The provision of various compensation mechanisms has in the short or long run enhanced employee performance which has in turn created a competitive environment over the companies that lags behind with respect to offering better compensation strategies. In Africa with specific attention to Nigeria, majority of employees who change from one job to another move as a result of finding better pay (Jean, Ngui & Robert, 2017). The authors indicate that more than seven out of ten people in Nigeria that are more than 70% of employees who are interested in changing their employer normally gave the reason of low income in their present job that makes them seek for new employment environment.

Several authors such as Akhter, Ijaz, Siddiqi, Shouqat & Raza (2016) and Daniel (2015) are of the opinion that employees only stay in an organisation to give their best when they believe the remuneration process is commensurate to their input. In Tanzania like any other East African country, employees are motivated by rewards (Bana & Kessy, 2017). Some employees are highly motivated by extrinsic rewards such as increase in pay, promotions and bonus, others employees are motivated with intrinsic rewards such as appreciation, praise and recognition on (Tarurhor, 2021). Also, In Ghana, an employee is the engine for socio-economic growth of the nation and must, therefore, take a leading role in stimulating such growth (GoG, 2016). This

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therefore implies that employees in both public and private sectors should properly be compensated to motivate them to perform better.

According to Andrews (2016), while it may be considered that salary attached to a post represents appropriate remuneration of its holder for proper and efficient performance of day-to-day duties; there are circumstances in which benefits are warranted. The objective of these benefits is to attract and retain qualified and competent employees. However, Bugri and Kumi (2018) asserts that many companies in the recent have witnessed exodus of employees to other rivals, this has been attributed to poor compensation strategies which has prompted the shifting of employees in search of firms that could consider compensating them better and thereby reciprocate through good performance.

Many Small and Medium Enterprises (SMEs) are unincorporated enterprises and most countries compensation of employees is the largest part of value added, particularly in SMEs, which tend to be less capital intensive than larger firms. Small and medium-sized enterprises (SMEs) are seen as the main actors of both national and regional development in many countries. They always take significant roles in many industry branches. Therefore, SMEs as the driving force of economic growth have an important effect on the economic activity. Well-designed compensation policy for employees' satisfactions and performance are important factor in the development of business performance in SMEs. As such this study examines the influence of compensation on employees' performance among SMEs in Sekondi-Takoradi metropolis.

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Statement of the Problem

Little is known about the nature of compensation practices amongst SMEs in Ghana. Ghana (Bugri & Kumi, 2018). In developing countries, including Ghana, it is estimated that SMEs employ about 45% of workforce and contributes 33% of Gross Domestic Product (Amoah & Amoah, 2018). This makes the SME sector an important economic sector and it is necessary therefore to interrogate the compensation policies of SMEs to ensure workers welfare are being given attention as they work to sustain these enterprises. Also, it is prudent to examine how compensation practices affect the performance of staff amongst SMEs in Ghana; particularly in the Sekondi - Takoradi Metropolis.

The importance of SMEs in terms of economic growth and development, job creation, wealth generation, and income disparity reduction has been well recognized (Bugri & Kumi, 2018). The issue is that employees in SMEs frequently complain about disparities in their compensation, notably in terms of salary and bonuses. They often believe they are being cheated since they do not understand what determines how much they receive and if it is based on discretion or a set structure. This has an impact on employee attitudes, which can have a negative impact on an organisation's performance (Yeboah, 2020). SMEs biggest developmental challenges normally concerned with limited size especially salient with regard to innovation and finance (Herrmann-Pillath, et al., 2020). Labour cost is the second largest cost after raw material and other input costs for SMEs (Chompu-inwai et al., 2015). Also, providing compensation is an issue of additional costs which is a challenge.

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Additionally, there is paucity of information in relation to SMEs compensation practices in literature and more importantly in Ghana. Afriyie, Twumasi, Sarpong and Darko (2020) investigated the effect of compensation on employee's performance in Accra Technical University. Bugri and Kumi (2018) examined the dynamics of community perceptions, common resources and compensation practices in mining: the case of Newmont Ghana Gold Ltd at Ahafo. Ami, Boaten and Yamoah (2015) also assessed the determinant of compensation and its impact on employee commitment in private tertiary institutions in Ghana. Gyambrah, Amponsah and Wilson (2017) studied the role of incentives in employee retention in Ghana: A case study of SMEs within Ghana industrial and commercial estate limited. Lastly, Gyensare, Anku-Tsede, Boakye and Twumasi, (2018) considered occupational health and safety and employee engagement: evidence from the SMEs sector in Ghana. These organisations are not SMEs to justify the paucity of literature on studies on SMEs in Ghana. So clearly, issue of compensation practices among SMEs and how it affects employee performance is limited in literature and as such this study sought to fill such gap by examining the how compensation is managed at SMEs in the Sekondi-Takoradi Metropolis and how it affects employee's performance.

Purpose of the Study

The main aim of the study was to assess the form of compensation practices on employee performance amongst SMEs in Sekondi -Takoradi Metropolis.

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Specific objectives of the Study

The study was guided by the following set of specific objectives. The objectives were to;

1. Assess the forms of compensations used by SMEs in the Sekondi - Takoradi Metropolis.
2. Examine the performance of employees of SMEs in the Sekondi-Takoradi Metropolis as a result of compensation received.
3. Examine the effect of compensation on employee performance among SMEs in the Sekondi -Takoradi Metropolis.

Research Questions

The research questions of the study were;

1. What are the forms of compensation used by SMEs in the Sekondi - Takoradi Metropolis?
2. What is the performance of employees of SMEs in the Sekondi-Takoradi Metropolis as a result of compensation received?
3. What is the effect of compensation on employee performance among SMEs in the Sekondi -Takoradi Metropolis?

Significance of the Study

The study's recommendations will be highly useful to policymakers, thus SME owners since they will provide enough insight into the challenges of compensation management and employee performance. SME executives will recognize the importance of addressing both direct and indirect remuneration in order to increase employee performance. Furthermore, the study's findings will educate employees on compensation management concerns so that they

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are appropriately instructed on what they should expect from their employers, reducing disagreements and increasing performance. Again, the findings of this study will be important to future researchers and academicians by acting as an empirical source besides suggesting areas for further research. This study will suggest areas for further research where they can extend their knowledge.

Delimitations

The study was delimited to the SMEs in Takoradi Metropolis and specifically to production, manufacturing and service sectors. As such all other SMEs in the country are excluded but can adopt the findings and recommendations of this study.

Definition of Terms

Compensation refers to is the total direct and indirect payments and packages that an employee receives in exchange for the work done. Compensation is more than an employee's regular paid wages. It also includes many other types of wages and benefits.

Direct Compensation refers to the compensation that an employee receives directly from his or her place of work.

Indirect Compensation involves expenditures made by an employer on behalf of all employees.

Employee Performance is defined as how an employee fulfills their job duties and executes their required tasks. It refers to the effectiveness, quality, and efficiency of their output.

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Organisation of the Study

The study is organised into five chapters. The first chapter which is chapter one included the background to the study, the statement of the problem, purpose of the study, research objectives, research questions, significance of the study, delimitations of the study, and the organisation of the chapters. Chapter two covered the review of related literature comprising both theoretical and empirical review. Thus, it enumerates the theories and concepts on compensation, employee employee performance, empirical review and conceptual framework. Chapter three dealt with the methods to be used and how the data for the study will be analysed and presented. Chapter four provided information on data presentation, analysis and discussion of findings. Chapter five covered the summary, conclusions, and recommendations for the study and suggested areas for further studies.

Chapter Summary

Compensation is an issue that deserves little attention in the corporate sector, resulting in a slew of employee strikes. Organisations that do not correctly manage compensation will be unable to meet their goals owing to unproductive staff. The chapter reviewed the concept on compensation, the forms of it, employee performance and the nexus between compensation and employee performance. The problem and gap in literature were also indentfied.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

The literature review for this study was divided into parts. The first part dealt with the theoretical framework that informed the study. The second part dealt with concepts, empirical review and conceptual framework. In effect, the chapter critically examined the concept of compensation, direct and indirect compensation, compensation in SMEs, employee performance, effect of direct and indirect compensation on employee and empirical review. The chapter also examined the relationship between compensation and employee performance on a conceptual framework.

Theoretical Review

The study was underpinned by the reinforcement theory propounded by Skinner (1969). The theory has two types of reinforcement. However, the study adoted the positive reinforcement to use compensation improve the performance employees among SMEs in the Sekendi-Takoradi Metropolis.

Reinforcement Theory

Skinner (1969) proposed the reinforcement theory, one of the oldest theories of motivation, as a way to explain behaviour and why people do what they do. The theory may also be known as Behaviourism, or Operant Conditioning, which is still commonly taught in psychology today. The theory states that "an individual's behaviour is a function of its consequences" (Bugri & Kumi, 2018). As a process theory it deals with the process through which

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motivation comes about, rather than with inner needs which may activate motivation.

Skinner maintains that behaviour is determined by its consequences, what happens as a result of a person's actions (Skinner, 1969). To put it in simple terms, behaviour which is compensated or which has positive consequences will be repeated while behaviour which receives either no compensation or negative consequences will cease. This simple idea can have profound consequences for managers. Reinforcement theory has a very important implication for management if management wants to maximise goal obtainment, it must carefully manage consequences so that the right behaviours are compensated. The implication for compensation is that high employee performance followed by compensation whether direct or indirect will make future employee performance more likely. By the same token, a high performance not followed by a compensation will make its reoccurrence unlikely in the future.

According to Huitt and Hummel (1997), four methods are employed in operant conditioning: positive reinforcement, negative reinforcement, punishment and extinction. However, this study adopted only positive. Positive reinforcement is any pleasant or desirable consequences that follows a response and increases the possibility that the response will be repeated (Williams, Hotouras, Bhan, Murphy & 2015). Skinner introduced people to positive reinforcement by conducting experiments on animals, most notably his rat experiment. Skinner designed a box with a lever inside that released food when pressed. He placed a hungry rat into the box to see if the rat could figure out how to get to the food. When the rat was first placed into the box,

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it fumbled around until it inadvertently hit the lever and the food was produced. Through several trials, the rat learned to go straight for the lever to produce the food when it was hungry. Therefore, Skinner tested positive reinforcement, and concluded it does produce desired behaviours (Skinner, 2019).

Positive reinforcement, as applied, would assist SME owners in using positive reinforcers to affect performance behaviour. The positive reinforcer would increase the likelihood of a favourable performance response. As a result, it can be used to boost staff productivity. Management could employ positive reinforcement for two reasons. It is used to direct or motivate employee actions, and it can also be utilized as a flexible idea to boost productivity, reduce absenteeism, and reduce workplace accidents. It can be in the form of direct pay (wages, salaries, bonuses, allowances, commissions, and merchandise incentives) or indirect compensation (social security, health insurance, and other benefits, for example). When positive reinforcement is applied, the goal is for the better performance to be rewarded.

Concept of Compensation

Compensation is a crucial instrument for the attraction and retention of talented employees that are dedicated to their responsibilities within the firm. Compensation of employees aims to promote the achievement of business goals through attracting, motivating and retaining hard working ones (Shieh 2008; Petera 2011). Compensation is a crucial component of the overall management of an organisation. It refers to the process by which employees are remunerated for their input at the workplace (Khan, Aslam & Lodhi, I2011). Employee compensation refers to all the returns that accrue to

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employees arising from their employment (Nazim-ud-Din 2013; Van der Merwe, Basson & Coetzee, 2009). Compensating employees requires accuracy and precision as, if not adequately and objectively dealt with, it may hamper organisation's operations. Compensation is not only in the form of money, but also in non-cash form. Benefits, such as pension, life and health insurance, and retirement plans, and allowances that include company cars or subsidized transportation, represent a significant pay element in many large firms (Ablo & Asamoah, 2018).

Compensation is the human resource management function that deals with every type of reward individual receive in exchange for performing organisational tasks (El-Brolosy & Stainier, 2017). According to the American Compensation Association's (1995) definition, "compensation is the cash and non-cash remuneration provided by an employer for services rendered" (ACA). It could be financial rewards which refer to any monetary rewards that go above and beyond basic pay. These rewards are separate and not added into basic salary. Examples of these include financial incentives, bonuses, and recognition.

Compensation is also considered as one of the dominant factors in encouraging someone to improve performance. Employees who receive appropriate compensation can survive in a company or organisation and are motivated to improve performance in achieving the organisation's vision and mission (Gyambrah, Amponsah & Wilson, 2017). Compensation as a complement that can guarantee the welfare of employees is considered to improve employee performance in a company or organisation (Masruroh, Thomas, & Latifah, 2012). Compensation can be described as direct and

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indirect compensation received by employees in an organisation that serves to achieve employee improve performance (Patel, Messersmith & Lepak, 2013). These two forms/types of compensations are discussed in the subsequent sections.

Direct Compensation

Direct compensation occurs where employees are paid money directly for their services rendered to the organisation. According to Dessler (2011) the direct payments include bonuses, commissions, wages and salaries. Armanu and Sudjatno (2017) define direct compensation as payment to employees that enhance employee's financial position when paid to them. Direct compensation is categorised into base pay and contingent pay. Basic pay can be expressed in the form of normal rate which can be weekly, hourly, monthly or annually and allowances which may include overtime, adjustment in cost of living (Amstrong, 2008). It may also include an employee's base pay (hourly wage or annual salary), performance-based variable pays, bonuses (rewards for special occasions or exceptional performance) as well as stock options (a right to purchase a part of business as a reward for exceptional service).

Putri, Sumarsono and Respati (2021) explained that direct compensation is usually limited to the direct cash benefits that the employees receive on monthly, bi-monthly or weekly basis for the services they render as employees of a particular organisation. It could also be in the form of stock bonus compensation, where employees of the organisation are given the opportunity to own shares in the organisation they work for and at the end of every year they have the opportunity again to gain some divided in the form of equity on their shares (Seo, Son, An, Nam, Chang & Kang, 2019). This is also

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referred to as Executive stock options (ESO). Direct compensation includes money paid to employees as cash, such as hourly wages, salaries, bonuses and commission. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus (Ma, Jiang, Tao & Yang, 2019).

Indirect Compensation

Dessler (2011) refers to indirect compensation as the ancillary financial and non-financial payments employees receive for continuing their employment with the company which are an important part of every employee's compensation. Other terminology such as fringe benefits, employee services, supplementary compensation and supplementary pay are used. According to Armstrong (2009) indirect compensation includes elements of remuneration given in addition to the various forms of cash pay. They also include items that are not strictly remuneration such as annual holidays. Management uses it ostensibly to facilitate its recruitment effort or influence the potential of employees coming to work for a company, influence their stay or create greater commitment, raise morale, reduce absenteeism in general and improve the strength of the organisation by instituting a comprehensive programme in this area (Ekhsan, Aeni, Parashakti & Fahlevi, 2019).

According to Tannady and Sitorus (2017), indirect compensation involves 'fringe benefits' offered through several employee services and benefits such as housing, subsidized food, medical aid, crèche and so on. It involves rewards provided by organisations to employees for their membership, attendance or participation in the organisation. Because of the increasing costs of fringe benefits, some people also label them as 'hidden

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payroll' (Wijaya, Surata, Kartini, & Puspita, 2020). Benefits currently account for almost 40 per cent of the total compensation costs for each employee. The basic purpose of fringe benefits or supplementary compensation is to attract and maintain efficient human resources and to motivate them (Kitur, 2021). From the above literature, it can however be deduced that most researchers who have considered work in this field agree on the definition of the term compensation and also agree on the types of compensation being considered by this review.

Popular indirect compensations offered by today's organisations includes social security, workers' compensation, retirement plans, paid vacations and other benefits. Social security is an administered insurance system. According to law, both employer and employee must pay into the system, and a certain percentage of the employee's salary is paid up to a maximum limit. How much is paid by employer and employee is calculated on the average monthly wage (weighted toward the later years). It is provided mainly to give financial security to employees when they retire (Sundjoto, Setiadi & Purbangkoro, 2017). Workers' Compensation are meant to protect employees from loss of income and to cover extra expenses associated with job-related injuries or illness. The laws generally provide for replacement of lost income, medical expenses, rehabilitation of some sort, death benefits to survivors, and lump-sum disability payments (Herdiani & Safitri, 2019).

Retirement and pension plans, which provide a source of income to people who have retired, represent money paid for past services. Private plans can be funded entirely by the organisation or jointly by the organisation and the employee during the time of employment. One popular form of pension

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plan is the defined-benefit plan. Under this, the employer pledges to provide a benefit determined by a definite formula at the employee's retirement date. The other major type of retirement plan is the defined –contribution plan, which calls for a fixed or known annual contribution instead of a known benefit (Darma & Supriyanto, 2017). Paid Holidays comprise Christmas day, New Year's Day, Independence Day, Labour day, etc. One relatively new concept is the floating holiday, which is observed at the discretion of the employee or the employer (Yani, 2021).

Another relatively new concept is referred to as personal time-off or personal days. Under this concept, organisations give employees a certain number of days with pay to attend to personal affairs. Normally these days can be taken at the employee's discretion. e. lastly, with paid vacations an employee must meet a certain length-of –service requirement before becoming eligible for paid vacation. Also, the time allowed for paid vacations generally depends on the employee's length of service. Unlike holiday policies that usually affect everyone in the same manner, vacation policies may differ among categories of employees. Most organisations allow employees to take vacation by the day or week but not in units of less than a day. In addition to the previously discussed major benefits, organisations may offer a wide range of additional benefits, including food services, exercise facilities, health and first-aid services, financial and legal advice, and purchase discounts. The extent and attractiveness of these benefits vary considerably among organisations (Hoops, 2019).

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Employee Performance

Ndiaye, Razak, Nagayev and Ng (2018) define performance as quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed. In other words, employee performance means the successful completion of tasks by employees according to the standard set and measured by the direct line manager of the organisation to previously set acceptable standards while utilizing available resources efficiently and effectively. Also, Barbosa, Azevedo and Rodrigues (2019) defines employee performance as the level to which the employees may apply the knowledge, skills and attitudes in order to achieve the desired results and meeting the specified objectives. Employee performance can indirectly be measured using employee behaviour at work e.g., speed, courtesy, etiquette, precision, time management, consistency and influence on other employees. (Riyanto, Sutrisno & Ali, 2017).

In most instances when people talk about performance it is often determined by financial performance. Gomes (2017) gave eight indicators of performance as follows quantity of work, quality of work, job knowledge, creativeness, cooperation, dependability, initiative and personnel qualities. Employee performance could also relate to the process through which the employees fulfil the organisational duties and complete the task. It also indicates the quality, efficiency, and effectiveness of the organisational output. (Pradhan & Jena, 2017). Similarly, Gandolfi and Stone (2018) mentioned that employee performance also refers to the behaviour of the employees in the workplace and how well they perform to fulfil the duties provided to them.

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Employee performance is a functional behaviour that does not come up only as a result of powers or pressures inside the person but also as a result to the interaction and harmony among the internal and external forces surrounding the person. (Asharif, Tamaki, Alsharif & Ryu, 2013). Job performance consists of a group of elements or basic contents that without them no one cannot talk about effective performance (Shahzadi, Javed, Pirzada, Nasreen & Khanam (2014). All of Dorra and Sabbagh (2008), Al Faidy, (2008) and Al Sakran, 2004) agreed that the job performance elements are the employee's competencies which relates to information, skills, trends and values. Also, it relates to the job requirements as a means of the tasks and responsibilities or the roles that the work/ position requires. Again, performance relates to the organisation environment which consists of the internal and external factors, the work type. It is represented in the extent of the individual's recognition of his work that he is doing and the desire, skills, ability to organize, tact and implementing the project without mistakes that the employee has (Almadhoun, Hedhili, Odeh, Xavier, Bhansali, & Alshareef (2014).

Further, performance relates to the amount of accomplished work in normal conditions and the speed of doing it (AbuSultan, 2011). Lastly, perseverance and trust are used to measure the performance level of employees which involves the seriousness and hard work and the ability of the employee to handle the responsibility of the work within specified time, and to what extent does the employee need guidance by the supervisors and evaluating the results of his work (Dorra & Sabbagh, 2008).

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Direct Compensation and Employee Performance

Direct compensation occurs where employees are paid money directly for their services rendered to the organisation. According to Putri, Sumarsono and Respati (2021) the direct payments include bonuses, commissions, wages and salaries. Various studies have been done to find out the relationship between direct compensation with performance. Setyadi and Subekti (2016) carried out a study on the implication of the financial compensation on performance in Indonesia. The findings of the study indicated that financial compensation was not significant enough to affect employee performance.

In the study of Niode (2011), the findings indicated a positive effect on employee performance. Umar (2011) also found a positive relationship between salary and performance. Khan, Farooq and Ullar (2010) in their study found out that there is direct and positive relationship between financial compensation and employee performance. This means that if the employee salary is altered, it will have a direct impact on the work motivation of the employee. When an employee is motivated, their performance will improve.

In an equally similar study, Ali and Akram (2012) wanted to find out the impact of financial payments on employee performance and satisfaction in pharmaceutical industry in Pakistan. The study found that the employees of the pharmaceutical industry in Pakistani were well remunerated, satisfied and these enhanced their performance. The study proved that there was a positive impact of financial payments on employee's performance and satisfaction. This means that if employees are well remunerated with monetary payments, they will be motivated leading to good productivity and performance. In another study, Mbah, Mgbemena and Ejike (2015) sought to find out the

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relationship between effective salary management and employee performance in civil service in Nigeria. The study looked at both the financial and non-financial payments. The findings of the study revealed that there is a positive and significant relationship between pay and some non-financial form of payments such as employee recognition, conducive working environment, and staff development with employee performance.

According to Lotta (2012) direct compensations are very effective in motivating employees. Ojokuku and Sajuyigbe (2009) in their study found out those direct compensation positively and significantly affects employee's performance. Although there have been various study showing significant relationship between monetary form of payments and employee performance, the debate is still going on as to whether money motivates employees to perform (Ejumudo, 2014). Nikkheslat, Reza, Zeinab & Roozbeh (2012).) emphasis that direct compensation can increase employee performance but this is often limited to short term increase. On the other hand, DeNisi and Griffin (2014) argues that in general, higher levels of pay and more attractive benefits tend to result in greater satisfaction thus promotes employee performance, a point that is affirmed by Bretz and Thomas (2012) who stated that pay dissatisfaction reduce employee performance and morale.

In support, Clegg and Birch (2012) argues that "pay peanuts and you will get monkeys", and in addition to that they said that if you show that you value people by paying a reasonable wage as a form of compensation then they appreciate it. According to Armstrong (2016), good practice requires employers to keep pace with inflation by rewarding employees with salaries that are market related to avoid strikes and poor performance by workers.

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Nowadays, organisations are under financial strain with salaries continually rising and becoming a major fixed expense.

According to Livingstone, Mascheroni, Dreier, Chaudron, and Lagae (2015), regardless of basic pay inefficiencies, it remains a rule that employees should be paid at, or above market rates as negotiated by labor unions who are concerned with the welfare of employees. In a competitive market, higher basic pay is used for attracting and retaining employees who already have experience to improve their performance. Otherwise contradicting this rule has negative consequences on the part of the organisation. It is thus factual that pay communicates commitment to employees, and is used as the baseline for assessing other pay systems such as skill and competency pay.

Indirect Compensation and Employee Performance

Slimani, Douli and Berbaoui (2017) gives the following as indirect benefits which included; social security, paid holidays, paid vacations and retirement plans amongst others. Danish and Usman (2010) in their study found out that if indirect benefits like allowances, fringe benefits and other compensations are given to employees on periodic basis it will improve their morale thus boosting employee performance. Odunlami and Matthew (2014) did a study on compensation management and employees' performance in manufacturing sector, in Nigeria. The study found that there was a significant and positive relationship between good welfare service and employee performance.

Indirect benefits to employees in form of staff vehicles, staff housing, free medical care, staff retreats, staff canteens, spacious office amongst others fosters higher employee performance and good working relationship (Keynan,

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2018). There has been a continued debate on whether non-financial compensation affects employee performance. Scott (2013) is of the opinion that indirect compensation can have more substantial impact on employee performance and motivation as compared to direct compensation. While on the other hand, other scholars are of the opinion direct compensation have greater impact as compared to indirect compensation.

In another study, Emerole (2015) sought to find out the effect of indirect compensation on productivity of employees among the selected government parastatals in Nigeria. The study found out that with effective exploitation of human resources by use of non-monetary compensation leads to higher employee productivity and efficiency. The study recommends that the organisations should seek to exploit human resources potential by having non-monetary compensation in their human resource strategy. From the above review of literature from various scholars it is evident that there is a strong relationship between indirect compensation and employee performance

Empirical Review

Idemobi (2011) studied the extent to which compensation management can be used as a tool for improving organisational performance in a typical public sector organisation like the Anambra State of Nigeria Civil Service by using questionnaire. The target population was the 20 employees per typical public sector in the country. The study used descriptive research method and simple random sampling as well as purposive sampling techniques to select employees from the public sectors. The study found that compensation management in an organisation can help improve organisational performance among public sectors in Nigeria. The outcome of hypothesis reveals that the

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reform programs of the Anambra State Government have not had a significant effect on financial compensation policies and practices of the civil service thus has tremendously affected employee performance.

Aktar, Sachu and Ali (2012) examined the impact of intrinsic rewards which are indirect form of compensation (recognition, learning opportunities, challenging work and career advancement, and direct compensation (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh. The study utilized mixed research design. The target population was the 72-management team in all the 12 commercial banks in Bangladesh. The authors developed structured and unstructured questionnaires together with interview guides which were used to collect data from the selected respondents. The authors used correlation and chi square to analyze data. The study found that each factor within both direct and indirect compensation was a highly significant factor which affects employees' performance.

Another study was conducted by San-Ong and Teh (2012) on reward system and performance within Malaysian commercial banks. The targeted banks were 12 in number with a total average of 720 employees. The study employed quantitative research design. The sample size was 10 employees per bank which resulted to a sample size of 120. The authors gathered data by means of focus discussion as well as closed ended questionnaires. The data was then analyzed by means of strata in the form of tables. The study thus found that most of the commercial banks provide both monetary and non-monetary rewards; adoption of reward system is not influenced by age and size of the organisation. The study however, found a negative relationship to

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exist between extrinsic rewards and financial performance of organisations and intrinsic rewards are positively related to financial performance of organisations.

Kwenin, Muathe and Nzulwa (2013) investigated the impact of direct and indirect financial compensation in the performance of employees in customer service companies in the Republic of Ghana. The researchers used descriptive research design. The target population was the 223 employees of the 23 listed customer service companies in the country. The authors analyzed data descriptively as per the data collected by use of structured questionnaires. The study found that reward dimensions have significant effect on employees‟ performance. In particular, they found that pay, performance bonus, recognition and praise are the tools that management can use to motivate employees in order for them to perform effectively and efficiently. Thus, workers reward package matters a lot and should be a concern of both the employers and employees.

Qureshi, Iftikhar, Abbas, Hassan, Khan & Zaman (2013) conducted a study on direct relationship between direct compensation, indirect compensation and the employees‟ performance among cement companies in Pakistan. The study collected data using formulated questionnaires which was used to gather data from over 100 employees. The data was then analyzed by use of SPSS. The analysis method was based on regression and descriptive statistics. The study found that recognition techniques (approaches) used in cement factories are good for the maximum performance of employees. The study also established that wages and bonuses promote employee performance in the cement factories in Pakistan.

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Muhammad (2014) studied the impact of compensation of employee performance on organisation commitment on the performance of employee in the Republic of Saudi Arabia. The study targeted 45 public institutions in the country with an average of 265 employees. The study preferred the utilization of positivism research design. The data was collected by use of formulated questionnaires which were constructed in relation to the research objectives. The collected data was cleaned, coded and entered into software known as SPSS. Using SPSS as a statically tool they concluded that compensation in the form of incentives, salaries will perform an important part to enhance motivation of employee in the public institutions in the Republic of Saudi Arabia.

Ngui (2014) study was based on the effect of human resource management strategies on performance of commercial banks in Kenya. The study used SPSS and MS Excel to analyze data. The study found that reward and compensation have major influence on the function of banks in Kenya. The study concluded that rewards and compensation system have an important effect on the performance of banks employees in Kenya.

Conceptual Framework

A conceptual framework is a structure which the researcher believes can best explain the natural progression of the phenomenon to be studied (Camp, 2001). It is linked with the concepts, empirical research and important theories used in promoting and systemizing the knowledge espoused by the researcher (Peshkin, 1993). It is the researcher's explanation of how the research problem would be explored. The conceptual framework presents an integrated way of looking at a problem under study (Liehr & Smith, 1999). In

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a statistical perspective, the conceptual framework describes the relationship between the main concepts of a study. It is arranged in a logical structure to aid provide a picture or visual display of how ideas in a study relate to one another (Grant & Osanloo, 2016). Interestingly, it shows the series of action the researcher intends carrying out in a research study (Dixon, Gulliver & Gibbon, 2001).

The framework makes it easier for the researcher to easily specify and define the concepts within the problem of the study (Luse, Mennecke & Townsend, 2012). Miles and Huberman (1994, p.18) opine that conceptual framework can be 'graphical or in a narrative form showing the key variables or constructs to be studied and the presumed relationships between them.' Based on the logic obtained after literature review and the central theme of the study, the conceptual framework for the study provides a broad view of compensation – direct and indirect and employee performance. It is inferred that both direct and indirect compensation have a positive correlation employee performance. The relationship is presented pictorially on Figure 1.

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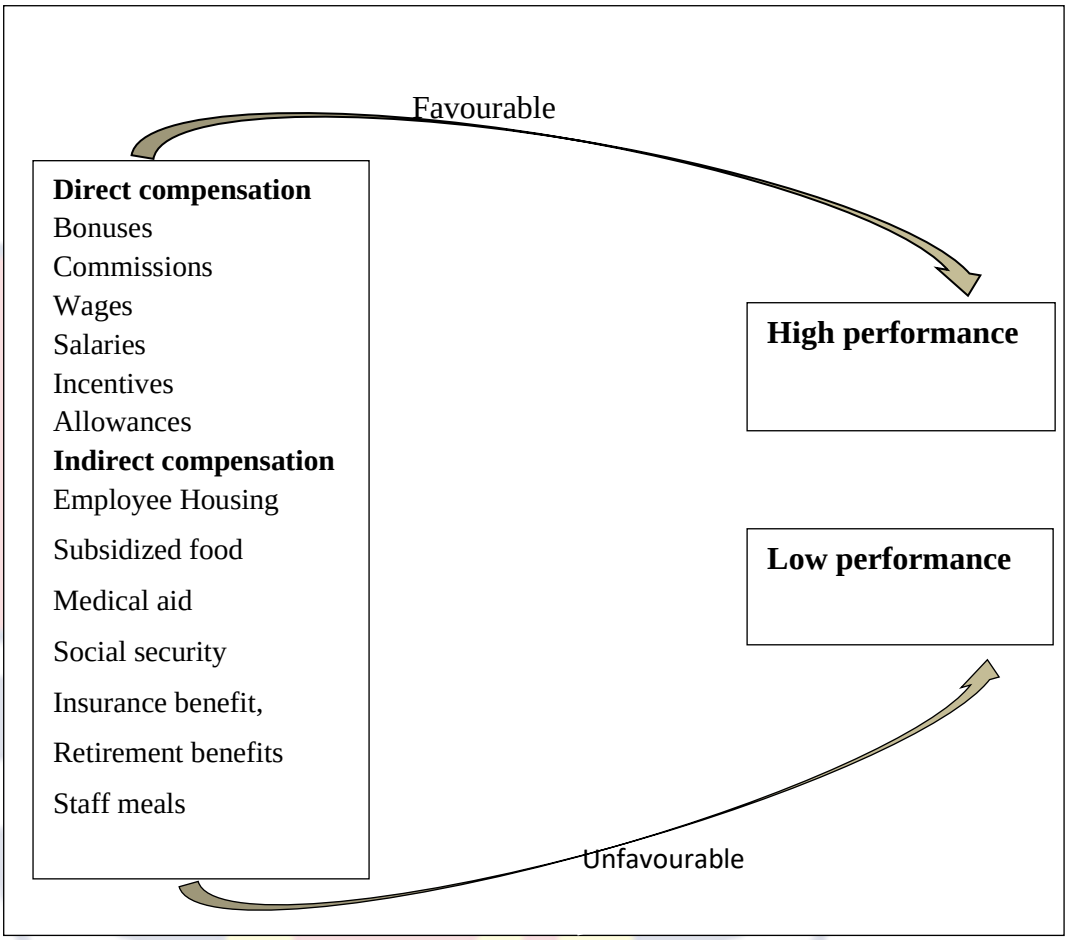

Figure 1: Conceptual Framework
Source: Author's Construct (2021)

Compensation in the conceptual framework is the independent variable and is viewed as a combination of direct and indirect compensation. (Wilhelm & Hirschi, 2019). Direct compensation includes bonuses, commissions, wages, salaries, incentives, allowances, etc. Indirect compensation includes medical aid, social security, fringe benefits, insurance benefit, retirement benefits, and staff meals. Also, employee performance is viewed as the dependent variable which constitutes quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed. According to the researcher, depending on the compensation

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given, the level of performance of employees may vary. Again, based on the review, the researcher can propose that there is a positive relationship between compensation- direct and indirect compensation and employee performance.

Chapter Summary

The chapter reviewed Skinner (1969) reinforcement theory and established that four methods - positive reinforcement, negative reinforcement, punishment and extinction are key in reinforcing employees. The concept of compensation was seen as the human resource management function that deals with every type of reward individual receive in exchange for performing organisational tasks. Its forms were also discussed. The concept of employee performance was reviewed and according to Ndiaye, Razak, Nagayev and Ng (2018) performance relates to quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed. The nexus between direct and indirect compensations and employee performance were reviewed. Again, empirical Studies on the study subject were reviewed and lastly, a diagrammatical representation of the nexus was shown on a conceptual framework.

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CHAPTER THREE

RESEARCH METHODS

Introduction

This section focused on the research techniques adopted for this study with the aim of achieving the research objectives. It elaborates the research design and provides details regarding the population, sample and sampling techniques and the research instruments that were used in collecting data for the study. It also discussed the data collection methods, reliability, validity, ethical issues and data analysis plan.

Research Approach

There are three main approaches to research.: quantitative, qualitative, and mixed. The positivist/postpositivist paradigm is commonly connected with quantitative research. It mostly comprises collecting and converting data into numerical form in order to perform statistical computations and draw conclusions. Qualitative research is also associated with the social constructivist perspective, which emphasizes the socially created aspect of reality. It comprises recording, evaluating, and attempting to comprehend the deeper meaning and significance of human behaviour and experience, including conflicting views, behaviours, and emotions. Finally, rather than getting mired down in philosophical debates over which methodology is preferable, the mixed research strategy comprises picking the method that appears to be most appropriate to the research issue.

The research approach chosen for this study was a quantitative one. This approach to research is specific, well structured, have been tested for

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their validity and reliability, and can be explicitly defined and recognised (Gefen, Rigdon & Straub, 2011). It is argued that human behaviour, like physical phenomenon, the natural social sciences can be quantified in attributes Kangai (2012) and this is done through the quantitative research approach. This approach is considered apt because it enables the researcher to generate data through the standardized collection procedures based on highly structured research instrument(s) and well-defined study concepts and related variables.

Research Design

A research design is a blueprint or plan, structure, and strategy of a scientific inquiry that is conceived in a way that is appropriate to a given study so as to help adequately answer the research questions and achieve the study objectives (Kumar, 2011). The descriptive research and explanatory research design were both used for this study. Descriptive study design is a scientific method which involves observing and describing the behaviour of a subject without influencing it in any way. It involves gathering data that describes events and then organises, tabulates, depicts, and describes the data collection (Tubey, Rotich & Bengat, 2015). The descriptive research design was chosen mainly because it comprises a cross-sectional design in relation to which data are collected predominantly by questionnaire (Buchanan & Bryman, 2007). Also, due to objective one which sought to examine the compensation packages available to SME employees, descriptive design is more appropriate as it tends to give description of the packages available in terms of compensation.

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An explanatory research design is a type of research design where a researcher seeks to understand what kind of impacts naturally occurring variables have with one another (Curtis, Comiskey & Dempsey, 2016). Abrahamse, Schultz and Steg (2016) also explained that explanatory research seeks to figure out if two or more variables are related and, if so, in what way. The explanatory research design is considered appropriate as objective two and three sought to examine the effect of direct and indirect compensation on employee performance among SMEs in the Sekondi -Takoradi Metropolis.

Study Unit

The study area selected for the research work is the Sekondi -Takoradi Metropolis and the SMEs to be precise. The SMEs employ a significant portion of the workforce and through demand for goods and services, SMEs at Secondi- Takoradi provide a potential market for other major firms to make industrial and consumer goods. As such it is imperative to assess how staff of SMEs are compensated and the effect it has on their performance.

Population

According to Ahonen, Fujishiro, Cunningham and Flynn (2018) target group about which the researcher is interested in gaining information and drawing conclusion. Elfil and Negida (2017) also described the population of a study as the number of all units of the phenomenon to be investigated that exists in the area of investigation. Apuke (2017) also described a population as the total collection of elements about which some inferences can be made. Sekaran and Bougie (2016), on the other hand, described a population as the aggregate of all cases that conform to some designated set of specifications.

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Entrepreneurs and officers from the National Board for Small Scale Industries (NBSSI), the Ministry of Trade and Industries (MOTI), the Association of Small-Scale Industries (ASSI), the Chamber of Commerce (COC), the Association of Ghana Industries (AGI), banks, the Sekondi-Takoradi Metropolitan Assembly (STMA), and the Microfinance and Small Loan Centre (MASLOC) in the Sekondi-Takoradi Metropolis are among the population of interest for this study. The registered SMEs according to National Board for Small Scale Industries (2018) is one thousand eight hundred and forty-five (1845). This may include but not limited to dressmakers, batik, tie and dye makers, carpenters, soap makers and shoe makers.

Sample and Sampling Procedure

A subset of some part of a larger population that shares some set of characteristics of the larger group is termed as a sample (Zikmund, Babin, Carr & Griffin, 2013). Bambale (2014) emphasized that a sample of a population consists of that proportion of the number of units selected for investigation. Gravetter and Forzano (2018) described sampling as the deliberate choice of a number of people who are to provide the data from which conclusions about those people can be drawn. Out of 1845 employees, a sample size of 320 was randomly sampled for the study. Sample size used was based on Krejcie and Morgan (1970) sample size table.

Data Collection Instruments

A self-administered questionnaire was used in the data collection. The questionnaire had three sections (A, B and C). Section "A" dealt with the

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demographic characteristics of respondents. The Section "B" focused on compensation packages, both direct and indirect. Section "C" focused on the performance of respondents as a result of compensations enjoyed. The questionnaire comprised close ended questions. Close-ended questions were relevant for the reason that they were easy to ask and quick to answer. This is significant since data had to be collected quickly to meet the time frame for the research. Another reason was that analysis of closed-ended questions was easy and straight forward.

Reliability and Validity

Reliability and validity are two key components to be considered when evaluating a particular instrument. Reliability, according Bunevicius (2017) is concerned with consistency of the instrument, and an instrument is said to have high reliability if it can be trusted to give an accurate and consistent measurement of an unchanging value. The validity of an instrument, on the other hand, refers to how well and instrument measures the particular concept it supposed to measure (Kashyap & Singh, 2017). Kashyap and Singh (2012) further argue that an instrument must be reliable before it can be valid, implying that an instrument must be consistently reproducible; and that once this has been achieved, the instrument can then be scrutinized to assess whether it is what it purports to be. The reliability threshold as given by Pallant (2020) is 0.7 below which an instrument is not reliable. The reliability for the constructs were 0.76 for compensation, 0.81 for performance and 0.82 for overall instrument.

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To ensure validity of questionnaires, the researcher reviewed other relevant literature that served as evidence and support the answers that would be found using the questionnaire, relevance being determined by the nature of their research question and their own judgement (Ewing, Monsen & Kielblock, 2018). Further, the designed questionnaire was submitted to the project supervisor for vetting, correction and approval before distributing it to the respondents.

Data Collection Procedure

After formal permission for the data collection was granted by owners of the various SMEs, the questionnaires were self-administered to the respondents to participate in the study. The purpose of the study was explained to them to pave way for retrieval of the questionnaires from the respondents without difficulty. This mode of primary data collection provided the opportunity for the researcher to establishing rapport with the respondents, thereby ensuring higher recovery rate (Leedy & Ormrod, 2010).

Data Processing and Analysis

Collected questionnaires have to be managed properly if decision-making is to be made of it. Consequently, it is important that raw data is handled properly so as to transform it into information for the purpose of decision making. The questionnaires that were retrieved were first sorted out to find out those that were not answered and to check for consistency, clarity and accuracy of recording. Each of the questionnaires were given an identification number to avoid double entry or data loss. The questionnaires were coded using the SPSS Version 25.0 template. For objectives one and

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descriptive statistics such as frequencies and percentages were used in making the analysis. Regression analysis was used to analyse objective three.

Ethical Considerations

The ethical standards that guide researchers in conducting and reporting research without dishonesty are known as research ethics. The main ethical issues considered and given prominent attention in the course of the research were informed consent, anonymity and confidentiality. Questions in the study were designed to avoid those that can harm or threaten the lives of respondents. For moral and legal reasons, respondents were pre-informed of the voluntary nature of their participation, as well as given enough information about the study. The purpose of the study was made known to them. In the end, respondents were made to willingly accept or decline their participation in the study.

Chapter Summary

The chapter discussed the quantitative research approach, survey research design to randomly sampling technique to select the sample for the study. This chapter also discussed and justified the use of questionnaires as the data collection instruments. The data collection procedures, data collection, analysis and presentation were also discussed in this chapter.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter entails the socio-demographic characteristics of respondents, forms of compensation available for SME workers, and the influence of on SME workers' performance. A total of 320 questionnaires were issued, and all were fully responded to and thus were used for the analysis in this chapter. Therefore, the study attained a response rate of 100% which makes acceptable for generalisation of findings about the population.

Socio-Demographic Characteristics

This section analysed the specific personal characteristics of the respondents of this study.

Table 1: Socio-Demographic Characteristics of Respondents

Characteristic	Frequency	Percent
Gender		
Male	147	45.9
Female	173	54.1
Total	320	100
Age		
20-30	115	35.9
31-40	113	35.3
41-50	77	24.1
51-60	15	4.7
	320	100
Number of Years		
Less than a year	100	31.3
1-3 years	72	22.5
4-6 years	53	12.9
7-10 years	48	16.6
11 years and beyond	47	14.7
Total	320	100

Source: Field survey (2021)

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Table 1 presented the sex of the respondents and revealed that, majority (173) of the respondents were females and this represents (54.1%) of the 163 respondents used. Thus, 147 respondents were males, representing (45.9%). This implies that, the sampled workers in the area being considered is dominated with females. Also, from Table 1, staff in the age bracket of 20 – 30 years were 115 representing about (35.9%) of the respondents. Also, 113 respondents representing about (35.3%) were between the ages of 31 – 40 years, while 77 of the respondents representing about (24.1%) were between the ages of 41-50 years. Finally, 15 of the respondents representing about (4.7%) were between the ages of 51-60 years. This implies that, majority of the respondents young and within their active working stages.

From Table 1, respondents were asked to indicate the number of years in service. Table 1 revealed that, 100 respondents representing about (31.3%) have worked for less than a year, while 72 of the respondents representing about (22.5%) have worked between 1-3 years. Also, 53 of the respondents representing about (16.5%) have worked between 11-15 years, while 48 of the respondents representing about (15%) have worked between 7-10 years and finally, 47 of the respondents representing about (9.2%) have worked for 11 years and beyond.

Reliability Test

Reliability of a scale gives an indication of how free it is from random error (Pallant, 2013) or the extent to which the scale produces consistent results if repeated measures are taken (Kent, 2007). Cronbach Alpha which measures internal consistency was used and it measures the degree to which all items on a scale measure an underlying construct (Pallant, 2013). The

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individual consistency reliability should be 0.7 or higher. From Table 2 below, the Cronbach alpha for the variables; monetary incentives, non-monetary incentives and health workers' performance ranged from 0.830 to 0.922. This implies that, all constructs and the scales used to measure the variables under study were reliable.

Table 2: Reliability Statistics

No.	Construct	Cronbach's Alpha	No. of items
1	Direct Compensation	.822	8
2	Indirect Compensation	.921	8
3	Employee Performance	764	9
4	Overall scale	923	25

Source: Field survey (2021)

Assessing the Forms of Compensations used by SMEs in the Sekondi - Takoradi Metropolis

The first objectives sought to assess the forms of compensations used by SMEs in the Sekondi -Takoradi Metropolis. Sixteen indicators were used to measure the forms of compensating packages and the assessment of this was done using means and standard deviations. Mean is the average level observed in the data, while standard deviation describes the variance, or how dispersed the data observed in that variable is distributed around its mean. Low standard deviation means data are clustered around the mean, and high standard deviation indicates data are more spread out.

According to Wakita, Ueshima and Noguchi (2012), on a 5-point Likert scale a mean of 3.0 is acceptable any mean value below this threshold is unacceptable. A standard deviation close to zero indicates that data points are

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close to the mean, whereas a high or low standard deviation indicates data points are respectively above or below the mean. Table 3 presents the mean and standard deviation values of each indicator.

Table 3: Descriptive Statistics for Direct Compensation

Items	Mean	Std. Deviation
Direct compensation		
Bonuses	3.4172	1.48995
Commissions	3.0307	1.63081
Wages	3.9571	1.61532
Salaries	3.4172	1.53485
Incentives	2.6687	1.59882
Allowances	2.5983	1.09821
Overtime pays	2.5264	1.23211
Advanced pay	3.1985	1.21211
Average	*2.7770*	*1.32313*
Indirect Compensation		
Employee housing	2.7055	1.39192
Subsidised food	3.9509	1.19052
Medical aid	3.2454	1.30570
Social security	3.5399	1.21333
Fringe benefits	2.9877	1.24220
Retirement benefits	3.0103	1.22014
Insurance benefits	2.2454	1.06047
Staff meals	3.9816	1.27885

Source: Field survey (2021)

It could be observed that SMEs owners do well in giving out bonuses, commissions, wages, salaries and advanced pay to their workers. These forms of compensation have been classified as direct as it is in exchange of their labour. From Table 3, the SME workers revealed that, they were highly compensated by bonuses with an average mean of (3.4172) and a standard

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deviation of (1.48995), this was followed by commissions for extra sales made which had a mean of (3.0307) and a standard deviation of (1.63081). Further, the respondents indicated that they are compensated well in terms of wages and salaries received. This was represented with mean values of (3.9571, 3.4172) and standard deviation values of (1.61532, 1.53485) respectively. Again, it was discovered that workers are given advanced pay to cater for unexpected expenditures with a mean of (3.1955) and a standard deviation of (1.21211). However, the respondents indicated that they are not incentives (mean = 2.6687; standard deviation = 1.59882), and not paid for overtime work done (mean = 2.5264; standard deviation = 1.23211). On the average, direct form of compensation given to the SME workers in the Secondi Takoradi Metropolis is middling (mean = 2.7770; standard deviation = 1.32313)

On the indirect compensation, the respondents showed that they are given medical aid mean = (3.2454; standard deviation = 1.30570), their social security is taken care of (mean = 3.5399; standard deviation = 1.21333), they enjoy meals (mean = 3.9816; standard deviation = 1.27885). Being able to offer a competitive pay as well as "indirect" compensation might help retain high-performing personnel. These indirect remuneration as used by the SMEs would help to foster loyalty, recruit talent, increase retention, and promote productivity. However, housing (mean = 2.7055; standard deviation = 1.39192), and insurance benefits (mean = 2.2454; standard deviation = 1.06047) are not enjoyed by them. The workers would derive low satisfaction from the job and this would have a ripple effect on their loyalty and performance.

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The results on Table 3 corroborate with many studies on compensating employees for higher performance. For instance, the results corroborate with Dessler (2011) who asserted that direct payments include bonuses, wages and salaries. Also, it relates to Putri, Sumarsono and Respati (2021) who explained that direct compensation is usually limited to the direct cash benefits that the employees receive on monthly, bi-monthly or weekly basis for the services they render as employees of a particular organisation. With respect to indirect compensation packages, the findings in Table 3 relate to Dessler (2011) who referred to indirect compensation as the ancillary financial and non-financial payments employees receive for continuing their employment with the company which are an important part of every employee's compensation.

However, it this current study most indirect compensation were not provided and this may create dissatisfaction among employees. Again, in measuring compensation packages the result relates with Tannady and Sitorus (2017) who also claimed that indirect compensation involves 'fringe benefits' offered through several employee services and benefits such as housing, subsidized food, medical aid, crèche and so on. Popular indirect compensations offered by today's organisations includes social security, workers' compensation, retirement plans, paid vacations and other benefits. Social security is an administered insurance system (Sundjoto, Setiadi & Purbangkoro, 2017).

Examining the Performance of Employees of SMEs in the Sekondi-Takoradi Metropolis as a Result of Compensation Received

The second objective also sought to examine the performance of employees of SMEs in the Sekondi- Takoradi Metropolis as a result of

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compensation received. Nine indicators were used to measure the performance of employees and the assessment of this was done using means and standard deviations. Mean is the average level observed in the data, while standard deviation describes the variance, or how dispersed the data observed in that variable is distributed around its mean. Low standard deviation means data are clustered around the mean, and high standard deviation indicates data are more spread out.

According to Wakita, Ueshima and Noguchi (2012), on a 5-point Likert scale a mean of 3.0 is acceptable but any mean value below this threshold is unacceptable. A standard deviation close to zero indicates that data points are close to the mean, whereas a high or low standard deviation indicates data points are respectively above or below the mean. Table 4 presents the mean and standard deviation values of each indicator.

Table 4: Performance of Employees as a Result of Compensation Received

Statement	Mean	Std. Dev.
High quantity of output	3.13	0.97
High quantity of output	3.16	0.98
Present at work always	3.94	1.17
Efficient on the job	3.54	1.05
Effective on the job	3.70	1.09
Professional working relationships	3.71	1.18
Performs the full range of duties	3.48	0.93
Meets deadlines	3.68	1.37
Uses resources well	3.89	1.07

Source: Field survey (2021)

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From Table 4, the SME workers revealed that, as a result of compensation received, they produce at high quality output with a mean of (3.13) and a standard deviation of (0.97), this was followed by producing quality output which had a mean of (3.16) and a standard deviation of (0.98). Further, it was revealed that due compensation received, they are present at work always manifesting with a mean of (3.94) and a standard deviation of (1.17). The respondents averred that they are efficient and effective on the job with respectfully, a mean of (3.54; 3.70) and standard deviation of (1.05; 1.09). as a result of compensation enjoyed, Table 4 showed that respondents maintain cordial relationships with their bosses and co-workers (mean =3.71, standard deviation =1.18) and meet deadlines (mean =3.48, standard deviation =0.93) as well as use resources very well (mean =3.89, standard deviation =1.07).

In order of magnitude, it was found that as a result of compensation received, workers of SMEs at Sekondi- Takorad Metropolis are always presents at work, followed by the use of available resources through to high output. By being effective and efficient on the job. The results imply that the SME workers complete successfully their tasks according to the standard set and measured by their bosses. The results also imply that the workers apply the knowledge, skills and attitudes in order to achieve the desired results and meeting the specified objectives (Barbosa, Azevedo and Rodrigues, 2019). It could also imply that employees fulfil the organisational duties and complete the task (Riyanto, Sutrisno & Ali, 2017). The result relates to Gandolfi and Stone (2018) who mentioned that employee performance relates to the behaviour of the employees in the workplace and how well they perform to

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fulfil the duties provided to them. Also, the results are in consistent with AbuSultan (2011) who also stated that performance relates to the amount of accomplished work in normal conditions and the speed of doing it.

The results further agree with Ndiaye, Razak, Nagayev and Ng (2018) whose definition of employee performance captured indicators such as quantity of output, quality of output, timeliness of output, job attendance, efficiency and effectiveness of the work completed. Once more, the result fit best when measuring performance of employees working with SMEs since (Pradhan & Jena, 2017) similarly indicated that performance of SME workers relates to quality, efficiency, and effectiveness of the organisational output. Additionally, Gandolfi and Stone (2018) mentioned that employee performance states to behaviour of the employees in the workplace and how well they perform to fulfil the duties provided to them. Dorra and Sabbagh (2008), Al Faidy, (2008) and Al Sakran, 2004) agreed that the job performance elements are the employee's competencies which relates to information, skills, trends and values with are congruent to this current study's findings.

Effect of Compensation Forms on Employee Performance Among SMEs in the Sekondi -Takoradi Metropolis

The third objective examined the influence that effect of compensation on employee performance among SMEs in the Sekondi -Takoradi Metropolis. Regression analysis was done where the linearity and the relationship between the two variables were analysed with compensation as the independent variable and SME workers' performance as the dependent variable. Table 5 gave the model summary of the output and it displayed the R, R squared,

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adjusted R squared, and the standard error. R is the Pearson product moment correlation coefficient which indicates the strength and direction of the linear relationship between the dependent variable (SME workers' performance) and the independent variable (compensation).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.894[a]	.799	.795	6.12618

a. Predictors: (Constant), Direct and Indirect Compensation

b. Dependent Variable: Employees' Performance

Source: Field survey (2021)

Hence from Table 5, compensation and employees' performance are positively correlated, and the strength of the relationship is strong at (.894). Regarding this relationship between compensation and employees' performance, the correlation shows a strong positive and significant relationship between the two variables. The R Square explains the amount of variation that exists in the dependent variable (Employees' performance) caused by the independent variable (compensation). Therefore, the result further indicates that (79.9%) variation in SME workers' performance (as dependent variable) is explained by the independent variable (compensation) and the remaining (21.1%) is explained by the residual (other factors not captured by the model). The implication is that, an increase in compensation packages given to these employees would result in a medium increase in their performance and as such, compensation alone cannot influence SME workers to perform well.

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Table 6 is the ANOVA table which provides the test significance for R and R^2 using the F-statistic. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable.

Table 6: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	571.953	1	571.953	15.240	.000
	Residual	6042.341	161	37.530		
	Total	6614.294	162			

a. Dependent Variable: Employees' Performance

b. Predictors: (Constant), Direct and Indirect Compensation

Source: Field survey (2021)

In this analysis, the ρ-value is well below .05 (ρ = .000). Therefore, it can be concluded that, the R and R^2 between compensation and SME workers' performance is statistically significant.

The Table 7 also provides information that is useful for understanding the regression equation. Under the column marked unstandardized coefficient and sub-column B, the numerical value for the first row, labelled (constant), is the value for the intercept (a) in the regression equation. The numerical value on the second row, labelled as compensation in this case (representing the independent variable), is the value for the slope (b) for the regression equation. Based on these results, the researcher can report the following

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regression equation, predicting SME workers' performance based on the available compensation received.

Y (Employees' performance) = 18.509 + 0.727X_1 (Direct) + 0.834 X_2 (Indirect)

Table 7: Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	18.509	1.044		17.726	.000
Direct Compensation	.727	.084	.694	3.904	.000
Indirect Compensation	.834	.071	.758	7.490	.000

a. Dependent Variable: Employee Performance

Source: Field survey (2021)

Hence, taking the values for the slope and the intercept in the resulting regression equation, the researcher can make the following assertions: According to the intercept, when there is no compensation package, thus, when, SME workers' performance will be at 18.509, and according to the slope, for any direct and indirect compensation, there will be an increase in SME workers' performance by (72.7%) and (83.4%). Therefore, both direct and indirect compensation have a significant influence on SME workers' performance.

The result is consistent with Niode (2011) whose findings indicated a positive effect of financial compensation on employee performance. Likewise, the findings are in line with Umar (2011) who also found a positive relationship between salary and performance. According to Khan, Farooq and Ullar (2010) in their study, there is direct and positive relationship between financial compensation and employee performance. This means that if the

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employee salary is altered, it will have a direct impact on the work motivation of the employee. The results again correspond to Ali and Akram (2012) whose findings revealed that the employees of the pharmaceutical industry in Pakistani were well remunerated, satisfied and these enhanced their performance. In another study by Mbah, Mgbemena and Ejike (2015) there is a positive and significant relationship between pay with employee performance. However, wih respect to direct compensation the result contradicts Setyadi and Subekti (2016) findings that financial compensation was not significant enough to affect employee performance in Indonesia.

In regard to indirect compensation, the result indicated that a significant and positive relationship exist between good indirect compensation and employee performance as has been alluded by Odunlami and Asabi (2014). Again, the findings corroborate with the findings of Addissamad (2013) that indirect benefits to employees foster higher employee performance and good working relationship. Similarly, Scott (2013) is of the opinion that indirect compensation can have more substantial impact on employee performance and motivation as compared to direct compensation. To Emerole (2015), study also found out that with effective exploitation of human resources by use of non-monetary compensation leads to higher employee productivity and efficiency.

Chapter Summary

This chapter presented the results and discussion of data obtained to answer the study's research questions. The chapter revealed that, both direct and indirect compensation had a strong positive significant relationship with performances of SME workers within the Secondi-Takoradi Metropolis. The

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chapter concluded that, SME workers are mostly influenced by indirect compensation more than direct compensation.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary, conclusions and recommendations of the study. The summary and conclusions are based on the findings captured in chapter four. The chapter also presented the recommendations of the study based on the study's conclusions. The chapter concluded with suggestions for further research.

Overview

The main aim of the study was to assess the form of compensation practices on employee performance amongst SMEs in Sekondi -Takoradi Metropolis. Specifically, the study sought to achieve the following objectives:

1. Assess the forms of compensations used by SMEs in the Sekondi - Takoradi Metropolis.
2. Examine the performance of employees of SMEs in the Sekondi-Takoradi Metropolis as a result of compensation received.
3. Examine the effect of compensation on employee performance among SMEs in the Sekondi -Takoradi Metropolis.

Skinner (1969) reinforcement theory was used to underpinned this current study. The research approach chosen for this study was a quantitative and both descriptive research and explanatory research design were adopted for this study. Descriptive design was adopted due to objectives one and two and explanatory research design as a result of objective three. Out of 1845 employees, a sample size of 320 was randomly sampled using Krejcie and

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Morgan (1970) sample size table for the study. A self-administered questionnaire was used in the data collection. For objectives one and two, descriptive statistics such as frequencies and percentages were used in making the analysis. Regression analysis was used to analyse objective three.

The first objective of the study sought to assess the forms of compensations used by SMEs in the Sekondi -Takoradi Metropolis. Based on this objective, the study carried out a descriptive analysis and found that both direct and indirect forms of compensation are given to workers with SMEs in the Secondi-Takoradi Metropolis. It was found that direct compensation given to employees included bonuses, commissions, wages, salaries and advanced pay. However, it was found that overtime pay and incentives to ginger workers were not adequate. On indirect compensation it was found that the workers enjoy subsidised food, medical aid, social security, fringe benefits, insurance benefits and staff meals. However, fringe and insurance benefits were not satisfactory.

The second objective of the study sought to examine the performance of employees of SMEs in the Sekondi- Takoradi Metropolis as a result of compensation received. Again, based on this objective, the study carried out a descriptive analysis and found that the workers irrespective of insufficient overtime and incentives given to them, the other direct and indirect compensations packages are enough for them to work to come out with high quantity and quality of output, be present at work always, be efficient and effective on the job, maintain professional working relationships, meet deadlines and use Uses resources well.

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The third objective of the study sought to examine the effect of compensation on employee performance among SMEs in the Sekondi - Takoradi Metropolis. Again, based on this objective, the study carried out a correlational analysis and found a strong and positive significant relationship between the two variables. Moreover, based on the regression results, using the slope and intercept, it was found that, both direct and indirect compensation have a strong significant influence on SME workers' performance.

Conclusions

This study has provided an overview and relevant discussion on forms of compensation and performance of SME workers. From the study's findings, it can be concluded that, direct compensation had a strong influence on SME workers' performance in within the Secondi-Takoradi Metropolis. This was surprising to find since previous literature have revealed that, most of the SMEs workers performance are enhanced as results of direct compensation received. This study contributes to a better understanding of the actual) factors that influence SME workers to perform better.

Also, it was concluded that, indirect compensation had a strong influence on SME workers' performances within the Secondi-Takoradi Metropolis. This was not surprising to find since studies have revealed that, indirect compensation play crucial roles in employee' performance improvements across various sectors. To that effect, it can be concluded that the aim of the study which sought to assess the forms of compensation on employee performance at Sekondi-Takoradi Metropolis is accomplished and that indirect contributes to employee performance than direct compensation.

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As such, the study's finding has contributed to a better understanding of the fact that, high performance of workers is not only caused by direct compensation but also indirect compensation.

Recommendations

Based on the study's findings and conclusions, the following recommendations were hereby made.

1. Since it was found that overtime pay given to the SME workers was unfavourable, the study recommended that, owners and managers of SMEs within the Secondi-Takoradi Metropolis should ensure that they continuously provide adequate overtime pay that are need satisfying to their workers. This is because, failure to provide adequate overtime pay could go a long way to affect performances of individual workers who are influenced by them.
2. It was also found that not only was overtime pay being low but also allowances given the SME workers. It is therefore recommended that owners and managers of SMEs within the Secondi-Takoradi Metropolis should ensure they provide such compensation to them as allowance is a source
3. Fringe and insurance benefits were also found to unfavourable and the study further recommend that management and owners of SMEs at Sekondi-Takoradi Metropolis put in more effort on provided such benefits for staff.

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Suggestions for Further Research

This study was limited to SME workers within the Secondi-Takoradi Metropolis and many indicators of direct and indirect compensation exist. However, the study adopted few of these indicators and such the findings is limited in generalization to other metropolis or the world at large. As such further research can be extended to cover other indicators to broaden the scope of compensation packages given to SME workers.

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APPENDIX

QUESTIONNAIRE

Topic: Compensation and employee performance among SME employees at Sekondi-Takoradi Metropolis.

Section A: Demographic Data

(Choose the most suitable answer and tick in the box below)

1. Age: Below 30 ☐ 30-40 ☐ 41-50 ☐ 51-60 ☐ 61 and above ☐
2. Gender: Male ☐ Female ☐
3. Number of years served at the institution: Less than 1 year ☐ 1-3 years ☐ 4-6 years ☐ 7- 10 years ☐ 11years and above ☐

Section B: Compensation Packages

Kindly indicate your level of agreement with regards to each of the following statements on compensation packages available to you in your enterprise. Your responses would be measured numerically such that 1 denotes least agreement and 5 denotes highest agreement.

Compensation Packages	**1**	**2**	**3**	**4**	**5**
Direct compensation					
Bonuses					
Commissions					
Wages					

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Salaries					
Incentives					
Allowances					
Overtime pays					
Advanced pay					
Indirect Compensation					
Employee housing					
Subsidised food					
Medical aid					
Social security					
Fringe benefits					
Retirement benefits					
Insurance benefits					
Staff meals					

SECTION C: Performance Indicators

Kindly indicate your level of performance with regards to each of the following as a result of compensation given by your enterprise. Again, the responses would be measured numerically such 1 denotes least agreement and 5 denotes highest agreement. to the issues.

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Performance Indicators	**1**	**2**	**3**	**4**	**5**
High quantity of output					
High quality of output					
Present at work always					
Efficiency					
Effectiveness					
Professional working relationships with co-workers					
Performs the full range of duties					
Meets deadlinees					
Uses resources well					

Thank you!!!

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Table 3.1

Table for Determining Sample Size of a Known Population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*

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