A Study of Monitory Compensation on Employee Performance with the Reference SALAAM Telecom Firm in Kabul Afghanistan

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Abstract

This study examines how monetary compensation influences employee performance within Salam Telecom Company in Kabul, Afghanistan. A descriptive survey design is utilized to gather the primary data from employees via a structured questionnaire by utilizing google form. Based on accessibility 44 participants were answered to the questionnaire and the information were analyzed using SPSS, employing descriptive statistics, correlation, and regression analyses. The results indicate that, among the various factors examined that compensation level and competitiveness, pay equity and transparency, benefits and non-wage financial elements, and pay satisfaction, only pay equity and transparency demonstrated a statistically significant effect on employee performance. It's interesting to note that this effect was negative, indicating that a perceived lack of fairness and transparency regarding compensation may reduce employee motivation and productivity. The report recommends that businesses make their pay plans more transparent and emphasizes the significance of equitable pay plans. The results indicate that organizational policies for managing compensation in developing nations should be developed.

Keywords: Monetary Compensation, Employee's performance, Efficiency, productivity Salaam Telecom, Kabul.

1 Introduction

The performance of employees is fundamental element for the success of any organization (Noorzad et al., 2024). In the current competitive world, companies are consistently looking for methods to improve productivity, efficiency, and employee involvement. Compensation plays a crucial role in enhancing employee performance and job satisfaction by meeting their emotional, rational, and motivational needs. Equitable pay encourages increased productivity, fosters loyalty, and makes employees feel appreciated (Musyarofah & Nurul Kh, 2024). With a significant psychological effect and compensation stands out as the most influential factor when compared to the work environment (Olivia et al., 2024).

There is a clear positive correlation between compensation and employee performance; increased pay, whether direct or indirect, results in improved outcomes. Sufficient compensation enhances employee motivation and commitment, driving them to achieve organizational objectives while also addressing their fundamental physiological needs. Equitable pay encourages enthusiasm at work and boosts performance, Marketing workers at PT. Liek Motor Surabaya perform better and more effectively when they receive financial incentives. Even if it accounts for a significant portion of the variance in employee performance, other factors also have a significant impact on overall performance results (Habibillah et al., 2024), insufficient compensation may lead to discontent and unrest (Zaqiyah et al., 2023).

Benefits and compensation, including as pay, bonuses, promotions, and allowances, show a statistically significant positive correlation with worker performance. Their overall contribution to performance variance is, nonetheless, quite small, suggesting that employee performance is significantly influenced by variables other than pay and benefits (Kadir et al., 2019). A study conducted on private banks in Kabul indicates that the compensation packages offered play a crucial role in influencing employee job satisfaction, where higher compensation correlates with a greater sense of job satisfaction (Safiullah Shinwari et al., 2025).

Compensation is a multi-level process, whether automatic or deliberate, that uses internal body processes, contextual factors, functional adaptation, or assistance from biological systems and external instruments to counteract genetic, neurological, cognitive, or behavioral disparities. Its objective is to facilitate more normal functioning (Livingston et al., 2021). Employee compensation is the money and advantages they get, such as salary, wages, and other incentives that act as financial inducements to improve performance (Holt, D. H., 1993).

While the relationship between compensation and employee performance has been extensively examined in developed nations and the public sector, there is a scarcity of research in fragile economies like Afghanistan. The private sector in unstable environments has largely been neglected, with limited focus on issues such as pay equity, transparency, and non-wage benefits. This lack of research creates a contextual gap in grasping how monetary compensation influences performance within Afghanistan’s telecom industry. An examination of Salam Telecom in Kabul presents a chance to fill this gap.

This study's primary goal is to investigate how employee performance is affected by monetary compensation in relation to Salam Telecom Firm in Kabul, Afghanistan. The study specifically seeks to evaluate the effects of various aspects of compensation on employee’s performance, and their outcomes. These elements include pay equity and transparency, bonuses and incentives, competitiveness in salaries, non-wage financial benefits, and overall pay satisfaction.

1.1 Theories of compensation

1.1.1 Herzberg's Two-Factor Theory

The Motivation-Hygiene Theory, another name for Herzberg's Two-Factor Theory, asserts that two different sets of factors contribute to job satisfaction and discontent. According to Herzberg, job satisfaction and employee motivation are increased by motivational factors such as achievement, recognition, responsibility, and opportunities for advancement. On the other hand, hygienic factors like pay, company policies, working conditions, and job security cause job dissatisfaction when they are absent but do not produce satisfaction when they are present. Organizations must address dissatisfaction by improving hygiene factors first, then increase motivation by improving motivational factors, according to the theory, in order to create a truly motivating work environment. In human resource management, this theory is frequently used to organize tasks and improve worker satisfaction and performance. (Taylor, 1969).

1.1.2 Expectancy theory

The Expectancy Theory, created by Victor Vroom, suggests that individuals are driven to behave in a particular manner when they believe that their efforts will result in satisfactory performance, that such performance will lead to rewards, and that these rewards hold significance for them. Put simply, motivation is influenced by three main components: expectancy the confidence that effort will lead to performance, instrumentality the belief that performance will result in rewards, and valence the importance a person assigns to the rewards. When all three elements are robust, employees are more inclined to feel motivated and perform well (Mohd, 2021).

1.1.3 Equity theory

According to J. Stacy Adams' Equity Theory, fairness in the workplace serves as a motivator for workers. This theory states that people evaluate their own results, such as pay, recognition, and benefits, against those of others by comparing the ratio of their inputs, such as effort, skills, time, and experience, to the results they receive. They might feel demotivated, put forth less effort, or look for justice in other ways if they believe there is an imbalance or unfairness, such as getting less credit for comparable work than their peers. Therefore, preserving parity between the contributions and results of employees is crucial for their motivation, contentment, and output (Davlembayeva, D.& Papagiannidis, 2022).

2 RESEARCH METHODOLOGY

2.1 Research Design

In this research a quantitative methodology is used to investigate the connection between monetary rewards and employee performance at SALAM Telecom. A descriptive survey design is utilized to gather information from employees via a structured questionnaire by utilizing google form.

2.2 Population and Sample size

The population intended for this study consists of employees from SALAM Telecom, situated in Kabul, Afghanistan. A sample size of 44 participants were answered from different level through a convenience sampling approach, mainly because of accessibility and time limitations.

2.3 Data Collection

For collecting the primary data an organized questionnaire featuring closed-ended questions (using a 5-point Likert scale: 1 = Strongly Disagree, 5 = Strongly Agree) utilized to gather responses.

2.4 Data analysis Techniques

The analysis of the data for this research utilized various statistical methods. Descriptive statistics such as mean, standard deviation, and frequency distribution were applied to summarize and interpret the fundamental characteristics of the data. Correlation analysis was carried out to evaluate the relationship between financial compensation and employee performance. Furthermore, regression analysis was used to ascertain the degree to which financial compensation influences employee performance.

Note: - In this study the following formula define clearly the relations of each factors on employee performance in Salaam Telecom Company.

$Y = a + \beta 1\ (x1) + \beta 2(x2) + \beta 3(x3) + \ldots + €$

Here, Y is Dependent variable

a represents the constant, if all x is = 0 then Y is equal to a, and x1, x2, and x3 are independent variables

β1, β2, β3, are the level of effectiveness of each independent variables on dependent variable, and € shows the errors in the test.

3 Results

The analysis of the collected data showed that there is a positive correlation between employee performance and monetary rewards. According to descriptive statistics, numbers of the employees believed that pay had a significant impact on their performance. The results of the correlation study confirmed a significant positive relationship between pay and performance. Subsequent regression analysis revealed that only one of the five compensation factors examined was statistically significant in predicting employee performance. A moderate amount of variation in employee performance was explained by the comprehensive model.

Table1, Demographic of the participations

Variables	Categories	Frequency	Percentage %
Gender	Male	44	100
	Female	0	0
Age	< 25	11	25
	25 - 34	22	50
	35- 45	8	18
	> 46	3	7
Job Position	Entry level	12	27
	Mid-level	24	55

	Managerial level	8	18
Years of Experience	One Year	6	14
	1 to 3 years	17	38
	4 to 6 years	14	32
	6 +	7	16

The data indicates that all participants (100%) were male. The largest age group (50%) was individuals aged between 25 and 34 years. Moreover, a majority (55%) of the respondents occupied mid-level job roles, which is the highest proportion. Regarding work experience, the most common tenure among respondents was 1 to 3 years (38%), closely followed by those with 4 to 6 years (32%) of.

Table 2,

Descriptive Statistics

	N	**Minimum**	**Maximum**	**Mean**		**Std. Deviation**
	Statistic	**Statistic**	**Statistic**	**Statistic**	**Std. Error**	**Statistic**
Level of compensation and competitiveness (CC)	44	2.00	4.00	2.5398	.08044	**.53359**
Pay Equity and Transparency (PET)	44	2.00	3.60	2.8636	.07027	**.46610**
Bonuses, Incentives and Allowances (BIA)	44	1.67	3.67	2.7045	.09523	**.63170**
Benefits and Non-wage financial components (BNW)	44	1.67	3.67	2.7045	.09523	**.63170**
Pay Satisfaction overall (PS)	44	1.33	4.00	2.9621	.08752	**.58055**

The descriptive table indicate that the average score for compensation and competitiveness is 2.54, which is below the neutral score of 3, suggesting that employees do not feel their salaries are competitive relative to other companies. Pay equity and transparency received a score of 2.9, which is close to neutral, implying that approximately half of the employees are somewhat satisfied in this area. However, there is evident dissatisfaction among employees regarding bonuses, incentives, allowances, and non-wage benefits, each scoring around 2.7, which is also below neutral. The mean score for overall pay satisfaction stands at 3, demonstrating a neutral perspective among employees concerning their total compensation at Salam Telecom Company in Kabul.

Table 3, ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.371	4	.093	2.534	.056[b]
Residual	1.428	39	.037		
Total	1.800	43			

a. Dependent Variable: Employees Performance (EP)
b. Predictors: (Constant), Pay Satisfaction overall (PS), Pay Equity and Transparency (PET), Benefits and Non- wage financial components (BNW), Level of compensation and competitiveness (CC).

The p-value (Sig.) is 0.056, and the F-value is 2.534.

The model is only slightly insignificant at the 5% level, but it might be significant at the 10% level because the significance level is slightly higher than the usual cutoff of 0.05.

This suggests that while the evidence does not fully satisfy the 95% confidence level criteria, the independent variables—Pay Satisfaction (PS), Pay Equity and Transparency (PET), Benefits & Non-Wage Components (BNW), and Compensation & Competitiveness (CC)—collectively explain some of the variability in Employee Performance (EP).

In conclusion, this model shows that factors related to compensation have a marginally significant but weak impact on employee performance.

Table 4, Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.821	.247		15.492	.000
CC	.049	.058	.129	.852	.399
PET	-.191	.066	-.436	-2.884	.006
BNW	.065	.049	.202	1.337	.189
PS	-.059	.053	-.169	-1.114	.272

a. Dependent Variable: Employee Performance (EP)

EP = 3.828 + 0.049 (CC) – 0.191 (PET) + 0.065(BNW) – 0.059(PS) + **ε**
EP= Employee performance
CC = Level of Compensation and competition
PET = Pay Equity and Transparency
BNW = Benefits and Non-Wage Financial Components
PS = Pay Satisfaction Overall.

This table of coefficients provides comprehensive information about the relationship between each independent variables and employee performance (Dependent variable):

Regression analysis showed that when all predictors are zero, the baseline level of employee performance is represented by the constant value of 3.821 ($p < 0.001$). Salary competitiveness does not significantly predict performance, as evidenced by the positive but statistically insignificant effect of compensation and competitiveness ($\beta = 0.129$, $p = 0.399$). Pay Equity and Transparency was found to have a significant negative impact ($\beta = -0.436$, $p = 0.006$), indicating that employee performance is significantly reduced when pay is not fair and transparent. Benefits and Non-Wage Components showed a positive but insignificant relationship ($\beta = 0.202$, $p = 0.189$), suggesting some positive influence but not a statistically significant one. In a similar vein, pay satisfaction ($\beta = -0.169$, $p = 0.272$) had a negative but negligible effect, demonstrating that overall pay satisfaction is not a significant factor in explaining performance differences.

The only factor that statistically significantly affects employee performance is Pay Equity & Transparency (PET), and it has a negative effect, indicating that employees feel their pay is unfair or opaque, which lowers their performance.

4 Discussions

The results of this study indicated that there is a positive correlation between monetary compensation and employee performance; however, only one of the five compensation factors demonstrated a significant effect. This implies that employees may place greater importance on specific forms of compensation, such as salary or direct incentives, compared to other benefits like allowances or bonuses, which may not be viewed as equally motivating. Similar trends were observed in earlier research, where base pay and performance-based rewards were shown to exert a stronger influence than secondary benefits. These findings are consistent with Herzberg's Two-Factor Theory, as financial incentives primarily serve as hygiene factors that help prevent dissatisfaction but May not always foster enduring motivation. They further support Vroom's Expectancy Theory, as employees tend to feel motivated when they recognize a clear relationship between their efforts, performance, and desirable rewards. Additionally, the results align with Adams' Equity Theory, suggesting that employees are more likely to respond favorably to compensation they view as equitable and directly related to their contributions.

5 Conclusion

This study looked at the effect of monetary compensation on employee's performance at Salam Telecom in Kabul. Although pay satisfaction had little effect, non-wage benefits and compensation competitiveness had a small positive effect that was not statistically significant. On the other hand, pay equity and transparency had a major detrimental impact, indicating that workers perceive the pay structure as unjust and ambiguous, which reduces their motivation and output. These results suggest that monetary incentives by themselves are insufficient to boost output unless they are seen as equitable, open, and closely linked to worker contributions. It may be possible to increase employee trust, satisfaction, and productivity by making compensation policies more equitable and transparent.

5.1 Recommendation

According to the study, employee performance is significantly impacted by Pay Equity and Transparency. Therefor it is suggested that Telecom Company.

1. Put Pay Equity and Transparency First: to foster trust and lower employee dissatisfaction, make sure salaries are equitable, open, and understandable.
2. Examine Compensation Competitiveness to attract and retain talented workers, compare salaries to industry norms.
3. Redesign Incentives and Benefits to increase employee motivation and satisfaction, restructure bonuses, allowances, and non-wage benefits.

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