OPEN ACCESS
Global Journal of Research in Business Management
ISSN: 2583-6218 (Online)
Volume 06 | Issue 04 | July-August | 2026
Journal homepage: https://gjrpublication.com/gjrbm/
Research Article

Effect of Non-Monetary Compensation on Employees' Performance of Small and Medium Enterprises in Zamfara State

[1]MOHAMMED Mahmuda Khalifa (PhD), [2]HASSAN Umar Umar (PhD) and [3]Abdul Sabur Hassan*

[1,2,3] Department of Business Administration, Nasarawa State University Keffi, Nigeria.

DOI: 10.5281/zenodo.21497704 **Submission Date: 15 May 2026 | Published Date: 22 July 2026**

***Corresponding author: Abdul Sabur Hassan**
Department of Business Administration, Nasarawa State University Keffi, Nigeria.

Abstract
Small and medium enterprises (SMEs) in Nigeria are key drivers of employment and economic growth. Despite government support through funding, tax incentives, and capacity-building programs, many SMEs still face challenges in motivating and engaging employees, leading to low morale, inconsistent effort, and high staff turnover, which negatively affect organizational performance, this necessitate the study of effect of Non-Monetary compensation on employees' performance of small and medium enterprises in Zamfara State. The study adopted the survey research design; the target population consists of all the SMEs employees in Zamfara State. The sample size of three hundred and eighty nine employees (389) was determined using Taro Yamane formula. Convenience sampling techniques were adopted to select the respondents. The data for this study was collected with the aid of structured 5-point Likert scale questionnaire, and hypotheses were tested using regression in Partial Least Square Structural Equation Modeling. The study revealed that promotion and recognition has negative and insignificant effect on employees' performance while insurance benefits has positive and significant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria. The study recommends that Promotions should be based on transparent, merit-driven criteria that emphasize competence, skills, and measurable performance rather than tenure, favoritism, or informal considerations, owner and managers should review and redesign recognition systems to ensure they are fair, transparent, timely, also to deliberately incorporate comprehensive insurance benefit schemes into their human resource policies.

Keywords: *Non-Monetary, compensation, employees, performance, Promotions, recognition and Insurance.*

Introduction
Small and Medium Enterprises (SMEs) are widely recognized as the backbone of modern economic development, given their crucial role in sustaining global economic growth (Carter & Tamayo, 2021). They constitute over 90 percent of businesses worldwide and contribute more than 50 percent of total employment and global Gross Domestic Product (GDP), highlighting their central position in driving economic activity and social development (Angeloska, 2025).

In Africa, SMEs form the dominant type of business enterprise, contributing significantly to employment creation, capital formation, economic viability, and poverty alleviation (Abisuga-Oyekunle et al., 20202). The sector provides substantial employment and stimulates economic growth. For example, in Ghana, the sector constitutes 92 percent of businesses in the country (Mohammed & Bunyaminu, 2021). In South Africa, Tambandini, (2024) confirmed that 91 percent of all the registered business entities fall under SMEs and constituting about 52 to 57 percent of the country's GDP. However, in Nigeria, a number challenges overwhelmed the country's business milieu, which renders the environment not only difficult for business but resulting to the increasing failure of SMEs in the country.

Studies established that 85 percent of businesses in the country do not survive beyond the first five years of their establishment (Charisma, et al.,2025; Ariyo, et al., 2025). Moreover, even the little percentage that manages to sustain beyond five years, collapse between sixth to tenth years of their existence which leaves only around 5 to 10 percent of the

SMEs in business. Despite the effort and contribution of the Nigerian government to the development of SMEs, yet the input of the enterprises including to the country's exportation is still low.

Employee performance has become a central determinant of organizational success, particularly in small and medium enterprises where human resources represent the primary driver of daily operations and innovation. Effective employee performance contributes to higher productivity, improved service delivery, and enhanced organizational outcomes (Njuguna & Minja, 2023) Since employees are responsible for executing strategies and achieving organizational objectives, their level of motivation, efficiency, and engagement significantly shapes overall performance (Cai, 2023).

Compensation practices are the structured framework and principles adopted by an organization to determine how employees are rewarded for their work. This includes both monetary rewards, such as salaries, wages, bonuses, and allowances, and non-monetary benefits, such as recognition, promotions, insurance, and other welfare provisions (Armstrong & Taylor, 2023; Milkovich, et al., 2021). Compensation policies play a crucial role in shaping employee performance by influencing motivation, commitment, and productivity. Well-structured reward systems signal to employees that their efforts are valued, encouraging them to maintain or improve their performance (Okoye, 2026). Competitive salaries, timely incentives, recognition, and benefits not only help attract and retain talented employees but also foster job satisfaction and organizational loyalty. Studies indicate that employees who perceive their compensation as fair and aligned with their contributions are more likely to be engaged, put in extra effort, and achieve higher performance outcomes (Akuffo-Aduamah, 2025; Fulmer, et al., 2023). However, this study will be focusing on three policies of non-monetary compensation which include promotion, recognition and insurance benefits.

Promotion refers to the advancement of an employee to a higher position within an organization, often accompanied by increased responsibilities, status, and rewards (Armstrong & Taylor, 2020). It signals recognition of an individual's contributions and career development prospects. When employees perceive opportunities for advancement, they are more likely to enhance their skills, exhibit greater commitment, and improve productivity to meet expectations for higher roles. Promotion thus acts as a motivator that strengthens performance by aligning individual goals with organizational objectives (Osman, et al., 2024).

Recognition involves acknowledging and rewarding employees' contributions through non-monetary means such as praise, awards, certificates, or public appreciation (CSN & TN, 2025). It emphasizes psychological and social reinforcement, which enhances employees' sense of value, dignity, and belonging within the organization. Recognition strengthens intrinsic motivation, boosts morale, and encourages employees to reproduce positive behaviours that support organizational performance (Luthans & Broad, 2025).

Insurance benefits are employer provided welfare provisions designed to protect employees against financial losses arising from health issues, accidents, or other life contingencies (Lillie, et al., 2025). Access to health and welfare coverage contributes to employees' sense of security and reduces stress related to personal and family well-being. When employees feel secure and supported, they are more likely to show higher concentration, lower absenteeism, and improved productivity, as well as greater long term commitment to the organization (Kuvaas & Ding 2025).

In recent years, small and medium enterprises (SMEs) in Nigeria have been recognized as critical drivers of employment, economic growth, and industrial development. Despite various government initiatives and policy interventions aimed at supporting SMEs such as access to funding, tax incentives, and capacity-building programmes, many firms continue to face challenges related to employee motivation, engagement. These challenges often manifest as low morale, inconsistent effort, or high staff turnover, which ultimately undermine overall organizational performance.

Various efforts have been made by business owners, managers, and government agencies to address workforce performance challenges. Initiatives such as capacity-building programmes, training interventions, and workplace improvement schemes have been introduced to enhance employee engagement and efficiency. Additionally, some SMEs have attempted to recognize and reward employee contributions in ways they deem motivating. These measures are intended to strengthen employee commitment, increase output, and reduce turnover.

Despite these efforts, poor employee performance continues to persist across many SMEs in Zamfara State. Observations indicate that workers' productivity and engagement levels remain suboptimal, while turnover rates, absenteeism, and dissatisfaction continue to rise. The persistence of this problem suggests that the strategies currently employed may not adequately address the underlying factors influencing employee behaviour and performance. There is therefore a critical need to examine the factors that shape employee motivation, commitment, and productivity in SMEs, in order to identify more effective ways of enhancing workforce performance and improving organizational outcomes in the region.

Previous studies provide valuable insights into this relationship, though gaps remain. For example, Khan et al. (2019) reported that promotion, recognition and insurance policies positively influenced retention and productivity in Nigerian universities. Evidence from the private sector further emphasizes this connection; delayed or inconsistent compensation has been linked to low employee morale and poor organizational outcomes (Ononogbo, et al., 2025). While these studies highlight the importance of non-monetary compensation in shaping employee outcomes, few have examined all key compensation components, such as promotion, recognition, and insurance within a single framework for SMEs. Additionally, previous research has often measured performance in narrow terms, without considering multiple dimensions such as productivity, efficiency, goal achievement, and overall contribution to organizational objectives. Addressing these gaps, the present study seeks to investigate how non-monetary compensation influence employee performance of SMEs in Zamfara State, Nigeria. By examining all three major dimensions of non-monetary compensation within one framework and assessing employee performance comprehensively, this study aims to provide deeper insights into how non-monetary compensation practices can drive motivation, productivity, and overall organizational success in the SME sector.

Hypotheses

The following null hypotheses were formulated for the study:

H_o1: Promotion has no significant effect on employees' performance in small and medium-sized enterprises in Zamfara State.

H_o2: Recognition has no significant effect on employees' performance in small and medium-sized enterprises in Zamfara State.

H_o3: Insurance benefits have no significant effect on employees' performance in small and medium-sized enterprises in Zamfara State.

Literature Review

Employee`s Performance

Vuong, & Nguyen, (2022) defined employee performance as the observable and measurable behaviors and results that employees produce in relation to organizational objectives. According to him, performance goes beyond outcomes alone and includes behaviors that directly influence organizational effectiveness. In a related view, Abdelwahed, & Doghan, (2023) explained employee performance as the level of productivity, effectiveness, and contribution an employee brings to the organization through the application of job-relevant skills and effort.

Van Iddekinge et al., (2023) defined performance as the level of an individual's work achievement after having exerted effort. Job performance can be viewed as an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources. Abun et al., (2021) defined employee performance as the overall expected value from employees' behaviors carried out over the course of a set period of time. Andreas (2022) performance means the degree of completion of an employee's task or given objective.

However, employee performance can be defined as the extent to which employees successfully accomplish assigned tasks and contribute to organizational goals through their behaviors, skills, and effort, productivity and work outcomes. It reflects the measurable level of employees' effectiveness, task achievement and value created within a specified period.

Compensation

Sharma and Sharma (2024) argued that a compensation policy is a deliberate set of principles and procedures that govern how salaries, incentives, and benefits are designed and distributed across the organization. The study emphasized that such policies are critical for maintaining internal equity, promoting employee motivation, and ensuring alignment with the organization's strategic objectives. According to the study, organizations with clear compensation policies experience higher consistency in pay decisions and greater workforce satisfaction. Manjenje, & Muhanga, (2021). defined compensation policies as formalized guidelines that outline the organization's approach to both financial and non-financial rewards.

Effective compensation policies serve as tools for attracting, retaining, and engaging employees, while also minimizing disputes and promoting transparency. On the other hand, Kang and Lee, (2021) described compensation policies as strategic documents that integrate organizational philosophy, market competitiveness, and employee performance metrics to determine appropriate pay structures. A robust compensation policy not only addresses pay fairness but also fosters a culture of accountability and high performance. It also functions as instruments for aligning employee behavior with organizational goals. This compensation in this study is measured with promotion, recognition and insurance.

Compensation policy can be defined as a formal framework of principles, guidelines and procedures established by an organization to determine how employee rewards, including financial and non-financial benefits, are designed, allocated and managed to ensure fairness, motivation and alignment with organizational objectives.

Promotion

Monyatsi, (2023) described promotion as a deliberate human resource strategy that signals trust and confidence in an employee's capabilities, contributing to higher morale, retention, and sustained performance. Laxmikanth (2019) identified three key principles that guide promotion decisions in organizations: seniority, merit, and seniority-cum-merit. The seniority principle, which is one of the oldest and most widely used, bases promotion on the length of service, giving priority to employees with longer tenure. In contrast, the merit principle emphasizes qualifications, achievements, and performance, regardless of years of service, with merit commonly assessed through managerial judgment, promotional examinations, and efficiency or service ratings. The seniority-cum-merit principle combines both approaches by considering an employee's length of service alongside their competence, qualifications, and performance when making promotion decisions.

Recognition

Imran et al., (2025) defined recognition as an organizationally embedded practice of acknowledging employees' contributions through symbolic and material rewards that sustain morale and productivity. It is a relational exchange process, whereby employees' performance is affirmed, and building stronger psychological contracts. It is also a formalized human resource activity that combines peer acknowledgment, managerial praise, and institutional rewards to encourage continuous improvement. Furthermore, recognition boosts job satisfaction by making employees feel valued for their contributions. It enhances morale and motivation, creating a sense of pride in work. Through consistent acknowledgment, employees develop stronger self-confidence and higher self-esteem. Recognition also fosters a sense of belonging, ensuring employees feel like integral parts of the organization. In addition, it reduces workplace stress by promoting positive emotions and appreciation.

Insurance

Khorvatova (2025) defined insurance as a contractual arrangement in which an entity provides financial protection to policyholders against unforeseen events or losses, ensuring continuity and security in both personal and organizational contexts. Insurance reduces uncertainty and allows individuals and businesses to plan with greater confidence. Similarly, Kumar (2025) described insurance as a structured risk management tool that compensates individuals or organizations when specific adverse events occur. Insurance policies provide stability, encourage investment, and enhance productivity by mitigating potential disruptions caused by accidents, illnesses, or property loss.

Empirical

Promotion and Employees` Performance

Sajo et al. (2025) examined the effect of staff promotion on employee performance at Federal Polytechnic Mubi using a quantitative survey approach. Data were collected from 266 academic staff through a Likert-scale questionnaire and analysed using SPSS version 24. The study found that promotion significantly and positively influences employee performance by improving motivation and morale. Its strength lies in the use of empirical data and statistical analysis; however, it was limited to a public academic institution with formal promotion systems, making the findings less applicable to SMEs. The study also relied only on quantitative data, leaving limited insight into employees' experiences. Therefore, a gap exists in understanding how promotion affects employee performance in SMEs, particularly in Zamfara State, where organisational structures and promotion practices differ.

Nyaga and Omuya (2024) examined the effect of promotion practices on employee performance at the National Bank of Kenya using a descriptive survey design. Data were collected from 144 respondents through questionnaires and interviews and analysed using SPSS. The study found that promotion practices have a positive and significant influence on employee performance, with promotion based on merit enhancing employee motivation. The study's strength lies in its use of both descriptive and inferential analysis; however, it focused on a large commercial bank with formal promotion policies and structured systems. These conditions differ from SMEs, where promotion practices are often less formal and resource-dependent. Therefore, a gap exists in understanding the effect of promotion on employee performance in SMEs, particularly in Zamfara State.

Recognition and Employee Performance

Kariuki and Kiiru (2021) examined the effect of employee recognition on performance among staff in five public health facilities in Nyeri County, Kenya, using a descriptive survey design. Data were collected from 151 respondents through questionnaires and analyzed using descriptive statistics, correlation, regression and ANOVA. The study found that employee recognition has a strong positive and significant effect on employee performance, indicating that recognition practices improve motivation and productivity. The strength of the study lies in its use of statistical techniques and evidence-based findings across different workforce levels. However, the study focused on public health facilities where recognition systems and organizational structures may differ from those of SMEs. Methodologically, the study relied mainly on quantitative data, which may not fully capture employees' perceptions of recognition practices. Although the findings are relevant to the current study by highlighting recognition as an important factor influencing performance, there is limited evidence on its effect within SMEs, particularly in Zamfara State. Therefore, this study addresses the gap by examining how recognition influences employees' performance in small and medium enterprises.

Mounika (2021) examined the impact of rewards and recognition on employee performance using a descriptive research design among employees from different companies. The study found that rewards and recognition positively influence employee motivation, job satisfaction and performance, while poor recognition practices may reduce productivity and retention. The strength of the study lies in highlighting the behavioral and motivational role of recognition in improving employee outcomes. However, the study covered employees from various companies without focusing on a specific sector or organizational context, limiting the applicability of its findings. Methodologically, it relied on descriptive analysis, which may not fully establish causal relationships. Although the findings are relevant to the current study, there is a gap regarding the effect of recognition on employee performance in small and medium enterprises, particularly in Zamfara State, which this study seeks to address.

Insurance and Employee Performance

Garba, Salleh and Ahmed Hafiz (2024) examined the effect of insurance literacy on sustainable performance among Nigerian SMEs using a structural equation modeling (SEM-AMOS) approach. Data were collected from 364 SME managers, and the findings revealed that understanding insurance and perceived insurance benefits significantly influence SMEs' economic and social sustainability, while insurance knowledge had a positive but insignificant effect on social sustainability. The strength of the study lies in its focus on SMEs within the Nigerian context and the use of advanced statistical analysis to examine relationships among variables. However, the study focused on insurance literacy and sustainable performance rather than directly examining insurance as a non-monetary compensation factor influencing employee performance. Methodologically, the study relied on SME managers' responses, which may not reflect employees' perceptions of insurance benefits. Although the findings are relevant because they highlight the importance of insurance in organizational outcomes, a gap exists regarding how insurance benefits provided to employees affect their motivation and performance, particularly in SMEs in Zamfara State. This current study addresses this gap by examining the effect of insurance on employees' performance in small and medium enterprises.

Handayani, Syafei and Narimawati (2025) examined the integration of Hospital Information Systems and National Health Insurance and its impact on employee performance and service quality at a military dental hospital in Indonesia. The study adopted a qualitative case study approach, using literature review and institutional observations to identify operational challenges. The findings revealed that limited digital literacy, inconsistent system utilization and administrative delays negatively affected service efficiency and employee performance, while effective system integration, staff training and policy support could improve service quality. The strength of the study lies in its contextual analysis and identification of practical organizational challenges. However, the study focused on healthcare institutions and examined insurance integration rather than insurance as an employee compensation benefit. Its qualitative methodology also limits statistical generalization of the findings. Although relevant in highlighting the role of insurance-related systems in employee outcomes, the study does not directly address how insurance benefits influence employee performance in SMEs. Therefore, a research gap exists regarding the effect of insurance as a non-monetary compensation factor on employees' performance, particularly in small and medium enterprises in Zamfara State.

Theoretical Framework

Equity Theory

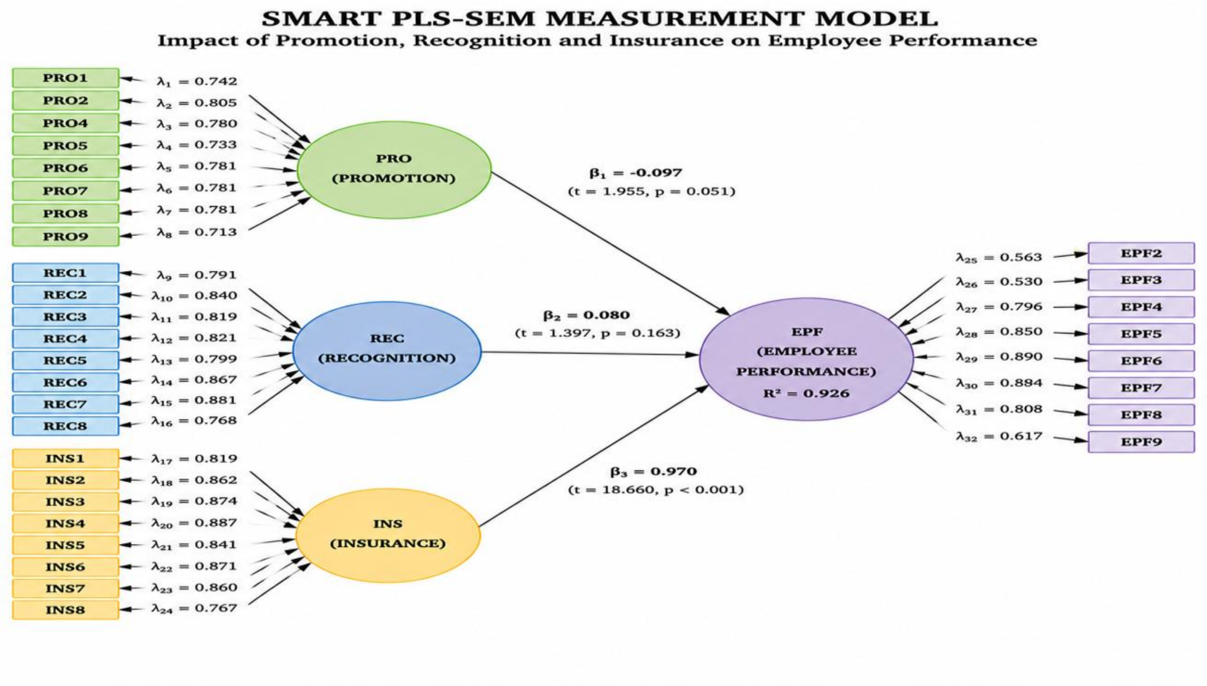
The equity theory was introduced by John Stacey Adams (1963). At its core, the theory suggests that employees are constantly judging whether they are being treated fairly at work. They do this by comparing what they put into their jobs such as effort, skills, experience and time with what they get in return, including salary, bonuses, promotions and recognition. Adams (1965) explains that employees do not make these judgments in isolation; they also compare their rewards with those of co-workers or employees in similar organizations. When employees feel that their contributions are rewarded fairly, they are likely to remain motivated and even increase their effort. However, when they sense unfairness, they may feel frustrated or dissatisfied, which can lead them to reduce their effort, demand better rewards, or even leave the organization.

The Proponents of Equity Theory argue that fairness in compensation policies plays a crucial role in shaping employee motivation and performance. When workers believe that pay, promotions, recognition and insurance are shared fairly, they tend to show stronger commitment, greater job satisfaction and higher productivity (Colquitt et al., 2021). This makes the theory especially relevant to studies on compensation policies.

Research Design

This study employs a cross-sectional survey design, which involves collecting data at a specific point in time to make inferences about the population of interest. This design was chosen to enable a quantitative assessment of the research problem and to apply a scientific approach through the direct collection of responses from participants for analysis. The population of the study consists of all 679,350 employees working in 13,587 registered SMEs in Zamfara State, according to NBS-SMEDAN (2021). The Taro Yamane (1968) sample size formula was used to arrive at a sample size of 389 employees of SMEs. Primary data were obtained through the use of a well-structured five-point Likert-scale questionnaire, which was distributed to the sampled respondents. Descriptive statistics, including the mean and standard deviation, were used to analyze the survey item responses. In addition, the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique, using SmartPLS software, was employed to test the proposed hypotheses at a 0.05 level of significance. The t-value was used as the basis for decision-making regarding the hypotheses tested.

Data Presentation and analysis



Source; SMART PLS Output, 2026

The study distributed three hundred and eighty-nine (398) copies of questionnaires out of which 389 (93%) questionnaires were completely filled and returned, 9 (2%) were not properly filled but returned, and 30 (7%) were not returned. Subsequent analyses were conducted using the 364 instruments valid responses.

Table 1: Administration of Instrument

Description	Responses	Percentage (%)
Completely filled and returned	369	93%
Not properly filled but returned	19	04%
Not returned	10	03%
Total	**398**	**100**

Source: Fieldwork, 2026.

Table 2: Descriptive Statistics

Variable	Mean	Median	Min	Max	SDV	Kurtosis	Skewness
PRO	2.54	2.00	1	5	0.81	6.08	-2.53
REC	2.40	2.75	1	5	0.86	1.96	-1.64
INS	4.26	4.50	1	5	0.96	3.02	-1.67
EPF	1.36	1.75	1	5	0.92	1.95	-1.65

Source: SMART PLS Output, 2026

The table2 above provided statistical description of the variables as expressed in the data collected in terms of the mean, minimum, maximum, standard deviation, skewness and kurtosis values. Promotion (PRO) had minimum and maximum values of 1and 5 respectively. The average value stood at 2.54 and a standard deviation value of 0.81, while skewness and kurtosis values stood within the normality range. the minimum and maximum values of Recognition (REC) recorded were 1 and 5 respectively with an average value of 2.40 and a standard deviation of 0.86. Insurance benefits (INS) also, had minimum and maximum values of 1 and 5 respectively. However, it showed an average of 4.26 along with a standard deviation of 0.96. Employee Performance (EPF) also had minimum and maximum values of 1 and 5 respectively, mean value of 1.36 along with a standard deviation value 0.92.

Data Analysis

Before evaluating the PLS-SEM results, Guenther et al. (2023) recommended checks for missing values, outliers and normality. These preliminary checks for missing values and outliers were conducted in the dataset. The finding revealed absence of missing values and outliers from the dataset.

In assessing the partial least square results, there are basically two steps, the first is to assess the measurement model and the second is to assess the structural model (Hair, et al., 2016). The measurement model entails assessing the validity and reliability of the constructs using the convergent and discriminant validity. While the structural model involves assessing the path coefficients, specific indirect effects, coefficient of determination, model fit, predictive relevance of the model.

Measurement model

Table 3: Reliability of study scale

S/N	Variables	Factor Loading		Chronbatch Alpha	Composite Reli.	AVE
1.	**Promotion (PRO)**	PRO1	0.742	0.889	0.904	0.557
		PRO2	0.805			
		PRO4	0780			
		PRO5	0.733			
		PRO6	0.781			
		PRO7	0.781			
		PRO8	0.781			
		PRO9	0.713			
2.	**Recognition (REC)**	REC1	0.791	0.920	0.937	0.625
		REC2	0.840			
		REC3	0.819			
		REC4	0.821			
		REC5	0.799			
		REC6	0.867			
		REC7	0.881			
		REC8	0.768			
3.	**Insurance Benefits (INS)**	INS1	0.819	0.885	0.908	0.527
		INS2	0.862			
		INS3	0.874			
		INS4	0.887			
		INS5	0.841			
		INS6	0.871			
		INS7	0.860			
		INS8	0.767			
4.	**Employees Performance (EPF)**	EPF2	0.563	0.888	0.911	0.535
		EPF3	0.530			
		EPF4	0.796			
		EPF5	0.850			
		EPF6	0.890			
		EPF7	0.894			
		EPF8	0.808			
		EPF9	0.617			

Source: SmartPLS Output, 2026

It is clear from the table 3, presents the assessment of indicator reliability, internal consistency reliability, and convergent validity of the study constructs.

The table presents the outer loadings ranged from 0.530 to 0.894. Most of the indicators recorded loadings above the recommended threshold of 0.708, demonstrating satisfactory indicator reliability. However, EPF2 (λ=0.563), EPF3 (λ=0.530), and EPF9 (λ=0.617) recorded loadings below the preferred threshold. According to Hair et al. (2022), indicators with outer loadings between 0.40 and 0.708 may be retained.

To establish internal consistency reliability of the construct, Cronbach's alpha and composite reliability (CR) should be higher than the threshold of 0.7. All the latent indicators are reliable since their values are higher than the threshold value of 0.7. As an alternative to Cronbach's alpha and composite reliability, Dijkstra and Henseler (2015) proposed rho A as an approximately exact measure of construct reliability, which usually lies between Cronbach's alpha and the composite reliability. Hence, rho A may represent a good compromise if one assumes that the factor model is correct.

Convergent validity refers to the extent to which a construct converges to explain the variance of its associated measurement items. It assesses whether multiple indicators of a construct share a high proportion of variance in common. According to Hair et al. (2016), convergent validity is established when the Average Variance Extracted (AVE) is at least 0.50, indicating that the construct explains 50 percent or more of the variance of its indicators, while the remaining variance is attributable to measurement error.

Table 4 shows the HTMT criterion for all the latent constructs. The discriminant validity of the construct is valid if the upper bound of the 95% confidence interval of HTMT is lower than 0.9. From the table below the condition is satisfied.

Table 4: Heterotrait-Monotrait Ratio (HTMT) Criterion

	Promotion	Recognition	Insurance benefits	Employee Performance
Promotion	0.811			
Recognition	0.736	0.836		
Insurance benefits	0.721	0.880	0.853	
Employee Performance	0.400	0.778	0.559	0.644

Source: SmartPLS Output, 2026

Collinearity Test

Collinearity test was conducted to ensure the absence of multicollinearity which could lead to bias in the results. This was assessed through the variance inflation factors (VIF). As a rule, VIF values shouldn't exceed 5 to indicate absence of multicollinearity (Hair, et al., 2019). From Table 4. below, all the constructs satisfied this assumption and as such there was absence of multicollinearity among the predictor constructs.

Table 5: Inner VIF Values of the Structural Model

Variables	Employee Performance
Promotion	2.544
Recognition	2.321
Insurance benefits	1.319

Source: SMART-PLS Output, 2026

Model Goodness of Fit (GoF)

Sequel to the need to validate the PLS model, there is a need to assess the goodness of fit of the model as Hair, et al. (2017) suggested. This study used the standardised root mean square residual's (SRMR). The choice of this index was based on the fact that the SRMR provides the absolute fit measure where a value of zero indicates a perfect fit. The study adopted Hu and Bentler (1998) suggestion that a value of less than 0.08 represents a good fit while applying SRMR for model goodness of fit. The study result indicates an SRMR value of 0.013. This indicates the model fits. Aside the chi-square, the other measure indicates a goodness of fit on the model of the study.

Table 6 Model of Goodness of fit Summary

	Saturated Model	Estimated Model
SRMR	0.013	0.013
d_ULS	13.721	13.721
d_G	8.377	8.377
Chi-Square	13502.528	13502.528
NFI	0.408	0.408

Source: SMART-PLS Output, 2026

Assessment of the Structural Model

To assess the structural model, Hair et al. (2016) suggested looking at the R2, beta, and corresponding t-values via bootstrapping procedure with a resample of 5000. They also suggested that, in addition to these basic measures, researchers should also report the predictive relevance (Q2). Table 6 indicates that the R^2 value for employee performance is 75.2%, implying that promotion, recognition, and insurance explain 75.20% of the variation in employee performance, whereas the remaining 24.80% is not explained by the variables included in this study.

Table 7: R2 and Predictive Relevance of the model

Endogenous variable	R Square	Q^2 (=1-SSE/SSO)	P-value
Employee Performance	0.926	0.646	0.000

Source: SMART-PLS Output, 2026

The Q2 was employed to assess the predictive relevance of the model. The Q2 value was obtained through the blindfolding procedure and the cross-validated redundancy method. Q2 value as a matter of guideline should be greater than zero for specific endogenous constructs to exhibit predictive accuracy of the structural model for that construct. The Q2 values of 0.646 in table 6 indicate acceptable predictive relevance.

Table 8 Path Coefficient of the Model

Hypotheses	Beta	T Statistics	P Val.	Decision	f^2
H_{01}: Promotion -> Employee Performance	-0.097	1.94	0.052	Accepted	0.003
H_{02}: Recognition -> Employee Performance	0.080	1.40	0.163	Accepted	0.399
H_{03} Insurance ->Employee Performance	0.970	18.66	0.001	Rejected	0.121

Source: SMART-PLS Output, 2026

Test of Hypotheses

Table 7 shows the path coefficient of the regression results using Smart PLS. These are the result tested for hypotheses of the study.

H_{o1}: Promotion has no significant effect on employees' performance in small and medium enterprises in Zamfara State. Nigeria.

The result from table 8 shows that promotion has negative and insignificant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria, with β = -0.097and p = 0.052. Thus, hypothesis one was supported and therefore accepted at 5% level of significance. The study have enough statistical evidence to accept the null hypothesis, the study conclude that Promotion has negative and insignificant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria.

Ho4: Recognition has no significant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria.

From table 8, the regression result of the test shows that Recognition has negative and insignificant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria. The β coefficient is -0.080 and the p value is 0.163. These values from the results support the null hypothesis stated at 5% level of significance. It is therefore accepted as there is sufficient evidence to accept the null hypothesis. The conclusion is that recognition has negative and insignificant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria.

Ho3: Insurance benefits have no significant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria.

The result from table 8 shows that an Insurance benefit has positive and significant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria, with β = 0.970 and p = 0.001. This result does not support the null hypothesis and was therefore rejected at 5% level of significance. Since there is enough evidence to reject the null hypothesis, the study therefore concludes that an Insurance benefit has significant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria.

Discussion of Findings

The first finding revealed that promotion has negative and insignificant effect on employee's performance of small and medium enterprises in Zamfara State Nigeria. This implies promotions are typically associated with increased responsibilities and expectations. If employees feel unprepared or overwhelmed, this could lead to decreased performance. In SMEs, where resources are often limited, employees might feel a lack of support in their new roles. This finding is consistent with that of Sajo et al. (2025) who revealed that promotion have insignificant effect on employee performance. Contra to this finding is the work of Nyaga and Omuya (2024). who found that Promotion has significant effect on employees' performance in selected deposit money banks in Southwest Nigeria.

The second findings revealed that recognition has negative and insignificant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria. This implies that employee recognition does not significantly affect performance in small and medium enterprises. In fact, the observed effect was negative, although it was not statistically significant. Therefore, within the scope of this research, providing recognition to employees such as praise, awards, or acknowledgment did not result in measurable enhancements in their work performance. This finding disagrees with the findings of Kariuki and Kiiru (2021) who found positive significant effect on performance among staff in five public health facilities in Nyeri County, Kenya.

The third findings revealed that an insurance benefit has positive and significant effect on employee's performance of small and medium enterprises in Zamfara State. Nigeria. This implies that when employees have access to insurance such as health coverage, life insurance, or other related benefits they are likely to feel more secure, valued, and motivated at work. This increased sense of security can reduce stress, improve focus, and boost commitment to their roles, which in turn leads to higher productivity and better overall performance. This finding agrees with the findings of Havyarimana et al. (2024), who found positive and significant effect of Insurance benefits on employee performance.

Conclusion and recommendation

The findings reveal that compensation components such as promotion and recognition have a negative and statistically insignificant effect on employees' performance in small and medium enterprises (SMEs) in Zamfara State, Nigeria. This suggests that, although promotion and recognition are traditionally considered important motivators, their current implementation within these organizations may be ineffective, inconsistent, or perceived as unfair by employees. As a result, they fail to produce meaningful improvements in performance and may even contribute to dissatisfaction or reduced morale when expectations are not met. In contrast, insurance benefits demonstrate a positive and statistically significant effect on employees' performance. This indicates that when employees are provided with reliable and comprehensive insurance coverage, they experience a greater sense of security and well-being, which enhances their focus, commitment, and overall productivity. The presence of such benefits reduces employees' concerns about personal and family welfare, thereby enabling them to dedicate more effort toward achieving organizational objectives. However, these findings suggest that tangible and security-related compensation, such as insurance benefits, play a more crucial role in driving employee performance in SMEs in Zamfara State than non-monetary rewards like promotion and recognition, particularly when the latter are not effectively structured or transparently administered.

Based on the findings and conclusions above, the study recommends thus:

1. SME owners and managers should re-evaluate their promotion policies and practices. Promotions should be based on transparent, merit-driven criteria that emphasize competence, skills, and measurable performance rather than tenure, favoritism, or informal considerations.
2. SME owners and managers should not completely disregard recognition practices. Instead, they should review and redesign recognition systems to ensure they are fair, transparent, timely, and aligned with employees' expectations and organizational goals.
3. SME owners and managers should deliberately incorporate comprehensive insurance benefit schemes into their human resource policies. Providing benefits such as health insurance, accident coverage, and life insurance can enhance employees' sense of security, reduce work-related stress, and improve job satisfaction, which in turn leads to higher productivity and commitment.

References

1. Abdelwahed, N. A. A., & Doghan, M. A. A. (2023). Developing employee productivity and performance through work engagement and organizational factors in an educational society. Societies, 13(3), 65.
2. Abisuga-Oyekunle, O. A., Patra, S. K., & Muchie, M. (2020). SMEs in sustainable development: Their role in poverty reduction and employment generation in sub-Saharan Africa. African Journal of Science, Technology, Innovation and Development, 12(4), 405-419.
3. Abun, D., Nicolas, M. T., Apollo, E., Magallanes, T., & Encarnacion, M. J. (2021). Employees' self-efficacy and work performance of employees as mediated by work environment. *International Journal of Research in Business and Social Science (2147-4478)*, *10*, 01-15.
4. Adamu, I. & Bello, H. (2024). *Employee perception of compensation fairness and work outcomes in Nigerian SMEs*. Journal of Business and Management Studies, 12(1), 45–61.
5. Akuffo-Aduamah, C. C. N. (2025). The impact of compensation on employees performance in organizations. *International Journal of Multidisciplinary Studies and Innovative Research*, *13*(1), 57-69.
6. Andreas, D. (2022). Employee performance: The effect of motivation and job satisfaction. PRODUKTIF: Journal Kepegawaian dan Organisasi, 1(1), 28-35.

7. Angeloska, A. (2025). The Role of GDP in Shaping Socio-Economic Development in Eastern Europe: A Comparative Analysis (Doctoral dissertation, Magyar Agrár-és Élettudományi Egyetem).
8. Ariyo, D. O., Ahmed, T., Olowolaju, E. D., Onyegbula, A. F., Solana, O. I., Adediran, B. I., & Atanda, S. A. (2025). Post-harvest management in Africa: A review of innovative technologies and multidisciplinary approaches for reducing food losses. *J. Appl. Sci. Inf. Comput.(JASIC)*, *6*, 148-157.
9. Armstrong, M., & Taylor, S. (2020). Armstrong's handbook of human resource management practice (15th ed.). Kogan Page.
10. Armstrong, M., & Taylor, S. (2023). *Armstrong's handbook of human resource management practice: A guide to the theory and practice of people management*. Kogan Page Publishers.
11. Cai, J. (2023). Effects of leadership styles and organizational strategy to enhance performance efficiency. *Journal of Enterprise and Business Intelligence*, *3*(1), 012-022.
12. Carter, S., & Tamayo, A. (2021). SMEs and global economic resilience. *Global Enterprise Review, 9*(2), 7–25.
13. Charisma, D., Hermanto, B., Purnomo, M., Herawati, T., & Charina, A. (2025). Sustainable business through local strength: A qualitative study of financial, social, and cultural strategies in Bandung's culinary micro-enterprises. *Sustainability*, *17*(11), 5028.
14. Colquitt, J. A., LePine, J. A., & Wesson, M. J. (2021). Organizational behavior: Improving performance and commitment in the workplace (7th ed.). McGraw-Hill Education.
15. CSN, P., & TN, M. (2025). Importance Of Rewards & Recognition on Employee Motivation: A Systematic Review of Literature. REST Journal on Banking Accounting & Business, 4(3), 36.
16. Dijkstra, T. K., & Henseler, J. (2015). Consistent partial least squares path modeling1. MIS quarterly, 39(2), 297-316.
17. Fulmer, I. S., Gerhart, B., & Kim, J. H. (2023). Compensation and performance: A review and recommendations for the future. Personnel Psychology, 76(2), 687-718.
18. Garba, M., Salleh, F., & Ahmed Hafiz, U. (2024). Investigating the effect of insurance literacy on sustainable performance in small and medium enterprises. Asia-Pacific Management Accounting Journal, 19(2), 287–312. https://doi.org/10.24191/APMAJ.V19i2-15
19. Guenther, P., Guenther, M., Ringle, C. M., Zaefarian, G., & Cartwright, S. (2025). PLS-SEM and reflective constructs: A response to recent criticism and a constructive path forward. *Industrial Marketing Management*, *128*, 1-9.
20. Hair Jr, J. F., Matthews, L. M., Matthews, R. L., & Sarstedt, M. (2017). PLS-SEM or CB-SEM: updated guidelines on which method to use. International Journal of multivariate data analysis, 1(2), 107-123.
21. Hair, J. F., Babin, B. J., Ringle, C. M., Sarstedt, M., & Becker, J. M. (2025). Covariance-based structural equation modeling (CB-SEM): a SmartPLS 4 software tutorial: JF Hair et al.
22. Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. European business review, 31(1), 2-24.
23. Hair, Jr, J. F., Sarstedt, M., Matthews, L. M., & Ringle, C. M. (2016). Identifying and treating unobserved heterogeneity with FIMIX-PLS: part I–method. European business review, 28(1), 63-76.
24. Handayani, N., Syafei, M. Y., & Narimawati, U. (2025). Integrating Hospital Information Systems and National Health Insurance: Impact on Employee Performance and Service Quality. *Jurnal Ilmu Manajemen Kesatuan, 13*(4). https://doi.org/10.37641/jimkes.v13i4.3679
25. Havyarimana, C., Wanyonyi Wanyama, K., & Makila, L. M. (2024). The impact of compensation on employee performance in commercial banks in Kigali City, Rwanda. Iconic Research and Engineering Journals, 8(2).
26. Hu, L. T., & Bentler, P. M. (1998). Fit indices in covariance structure modeling: Sensitivity to underparameterized model misspecification. Psychological methods, 3(4), 424.
27. Imran, U. D., Ghazwan, M. F., & Firmansyah, F. (2025). The effect of recognition and appreciation on employee motivation and performance. Economics and Digital Business Review, 6(1), 1-18.
28. Kang, E., & Lee, H. (2021). Employee compensation strategy as sustainable competitive advantage for HR education practitioners. *Sustainability*, *13*(3), 1049.
29. Kariuki, C. W., Kiiru, D. (2021) Employee recognition and employee performance at public hospitals in Nyeri County, Kenya. International Academic Journal of Human Resource and Business Administration, 3(10), 243-264.
30. Khan, M. I., Ahmed, S., & Rahman, F. (2019). Employer-sponsored health insurance and employee performance in Pakistan's textile industry. *South Asian Journal of Human Resource Studies, 4*(1), 22–45.
31. Khorvatova, O., Lisovska, Y., Malovatskyi, O., & Bieliavska, S. (2025). Legal Nature of an Insurance Contract in the Context of Securing the Health and Life of Borrowers: Current Challenges and Prospects. European Journal of Health Law, 1(aop), 1-20.
32. Kumar, S. (2025). A Comprehensive Risk Management Framework for the Insurance Industry. *Available at SSRN 5609650*.
33. Kuvaas, B., & Ding, H. (2025). Pay for performance and employee outcomes: The mediating roles of controlling and informational perceptions of pay. Journal of Occupational and Organizational Psychology, 98(3), e70055.

34. Laxmikanth, K. N. (2019) Impact of Sustainable Human Resource Management and Organizational Performance. NSHM Journal, 16.
35. Lillie, N., Kärkkäinen, K., & Kayran, E. N. (2025). The uncertain social insurance of intra-EU mobile construction workers. *Transfer: European Review of Labour and Research*, *31*(1), 25-39.
36. Luthans, F., & Broad, J. D. (2025). Positive organizational behavior and psychological capital: An evidence-based 20-year journey. In *Advancing Positive Organizational Behaviour* (pp. 7-36). Routledge.
37. Manjenje, M., & Muhanga, M. (2021). Financial and non-financial incentives best practices in work organisations: a critical review of literature.
38. Mensah, R. K., & Boateng, D. A. (2022). Medical insurance benefits and employee commitment in Ghanaian public institutions. *Public Sector Human Resource Review, 6*(1), 29–48.
39. Milkovich, G. T., Newman, J. M., & Gerhart, B. (2020). Compensation. McGraw-Hill Education.
40. Mohammed, I., & Bunyaminu, A. (2021). Major obstacles facing business enterprises in an emerging economy: the case of Ghana using the World Bank Enterprise Survey. *Journal of Small Business and Enterprise Development*, *28*(3), 475-487.
41. Monyatsi, L. (2023). The impact of promotion processes on academic staff morale: A case study at a South African University of Technology.
42. Mounika, A. (2021). *Impact of reward and recognition on employees' performance*. *International Journal of Creative Research Thoughts, 9*(5).
43. Njuguna, M. M., & Minja, D. (2023). Effective employee participation and service delivery in Embu County Government, Kenya. *International Academic Journal of Arts and Humanities*, *1*(3), 393-408.
44. Nyaga, A. W., & Omuya, J. (2024). *Effects of promotion practices on employee performance in the National Bank of Kenya*. *International Journal of Business, Economics and Social Development, 5*(2), 219–226. https://doi.org/10.46336/ijbesd.v5i2.640
45. Okoye, P. A. (2026). the impact of financial management practices on the performance of small and medium-scale enterprises (SMES) IN NIGERIA. *International Journal of Progressive Trends and Studies in Education*, *2*(01), 103-115.
46. Ononogbo, M. C., Ginikachi, P. F., & Uchegbulam, I. S. (2025). irregular payment of salaries and employee productivity: evidence from imo state, NIGERIA (2015–2025). International Journal of Business Economics and Management Science.
47. Osman, A., Opoku, V., & Kyeraa, A. (2024). The impact of performance appraisal systems on employee motivation and organizational success: A comprehensive review of best practices and challenges. *Convergence Chronicles*, *5*(5), 83-92.
48. Sajo, Yusuf, Mohammed Abdullahi, & Abdullahi Ahmed Mohammed. (2025). *Effect of staff promotion on employees' performance in Federal Polytechnic Mubi*. *International Journal of Financial Research and Management Science*. https://doi.org/10.70382/tijfrms.v09i7.022.
49. Sharma, R. C., & Sharma, S. (2024). *Compensation and reward management: Wage and salary administration and benefits*. Routledge India.
50. Tambandini, T. (2024). *Understanding small business growth in South Africa using an integrated framework* (Doctoral dissertation, University of South Africa (South Africa)).
51. Van Iddekinge, C. H., Arnold, J. D., Aguinis, H., Lang, J. W., & Lievens, F. (2023). Work effort: A conceptual and meta-analytic review. Journal of management, 49(1), 125-157.
52. Vuong, T. D. N., & Nguyen, L. T. (2022). The key strategies for measuring employee performance in companies: a systematic review. Sustainability, 14(21), 14017.

CITATION

Mohammed, M. K., Hassan, U. U.& Hassan, A. S. (2026). Effect of Non-Monetary Compensation on Employees' Performance of Small and Medium Enterprises in Zamfara State. In Global Journal of Research in Business Management (Vol. 6, Issue 4, pp. 26–37). https://doi.org/10.5281/zenodo.21497704