



# Impact of Employee Compensation on Employee Motivation

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**Abstract:** Employee compensation is a critical component of organizational strategy, influencing employee motivation, satisfaction, and performance. Compensation serves as a tangible form of recognition for employees' contributions and skills. When employees feel adequately compensated for their work, they perceive their efforts as valued and are more motivated to perform at their best. The main objective of this study is to investigate the role of compensation towards employee motivation in Tamilnadu Newsprint and Papers Limited. The study will employ a mixed-method approach, combining quantitative data analysis and qualitative feedback from employees. Data will be collected through surveys and interviews. Results show that there is a significant and positive relationship between compensation and work motivation. By prioritizing fair and competitive compensation practices, organizations can cultivate a motivated and high-performing workforce, driving success and achieving strategic objectives.

**Keywords – Employee compensation, Employees motivation.**

## I INTRODUCTION TO THE TOPIC

### INTRODUCTION

For the employee, compensation is the main source of livelihood and determines his/her standard of living, status in the society, motivation, loyalty, and productivity. Employee compensation is more than just salary; it includes benefits like health insurance, retirement contributions, and paid time off. Employee motivation is the level of commitment, drive, and creativity that a team brings with them to work every day. Competitive compensation is crucial for attracting and retaining talent, reducing turnover, and maintaining employee motivation. Recognizing the importance of employees and improving their working standards can lead to increased performance and efficiency. Overall, providing fair and attractive compensation benefits can enhance employee motivation, engagement, and satisfaction, leading to improved performance and organizational success.

### OBJECTIVES OF THE STUDY

- 1.To investigate the role of compensation toward employee motivation in Tamilnadu Newsprint and Papers Limited.
- 2.To assess the methods used to determine employees compensation at Tamilnadu newsprint and Papers Limited.
- 3.To analyze the effect of direct and indirect financial compensation on employee's motivation.
- 4.The study specifically aims to examine the relationship between compensation and employee work motivation.

### SCOPE OF THE STUDY

The scope of the study will be covering two different terms which are used heavily in the organizations and especially in the human resources department and these terms are compensations and motivation. The research targets on only local employees of Tamilnadu Newsprint and Papers Limited which is one of the paper industries in the country. The scope of the study is to explore strategies for optimizing the impact of compensation on motivation, including fair and transparent compensation structures.

### NEED OF THE STUDY

This study will help Tamilnadu Newsprint and Papers Limited to clearly understand the major compensation factors that benefits the organization through creating motivated staffs in terms of compensation. It helps the organization to know how the employees feel about the compensation system of Tamilnadu Newsprint and Papers Limited. It also helps to create awareness about the compensation practice of Tamilnadu Newsprint and Papers Limited.

## II REVIEW OF LITERATURE

1. **Najameddin Sadeg Tumi<sup>1</sup>, Ali Nawari Hasan and Jamshed Khalid (2021)**, conducted a study titled "Impact of Compensation, Job Enrichment and Enlargement, and Training on Employee Motivation: A Review of the Literature" which was published in the Journal of Business Perspectives and Research. The study aims to investigate possible influencing factors such as

compensation, job enrichment and enlargement, training, and their effects on employee motivation in the telecommunication sector in Libya.

**2. Ali Ahmad, Ataullah Muneeb (2020)**, conducted a study in the name of title “Awareness of Employee Compensation and its Effect on Employee Motivation: A Review of the Literature” which was published in International Journal of Management Excellence. The objectives of the study are to investigate the effects of financial and non-financial rewards on employees’ motivation and to examine the effect of intrinsic and extrinsic rewards on employee motivation. The study display that rewards have a positive and statistically significant effect on employee motivation and further show that the impact of financial and non-financial rewards on employee motivation is also positive.

**3. Yohanes Susanto, Siswoyo Haryono, Sardiyo (2020)**, conducted a study under the title “The Effect of Leadership and Compensation on Employee Performance: Evaluating the Role of Work Motivation” which was published in the journal of Talent Development and Excellence. This study aims to evaluate the effects of leadership and compensation toward employee performance, and the role of motivation in Savings and Loans Co-operatives in Palembang, Indonesia. This study reveals that leadership significantly affect work motivation and Compensation does not affect work motivation.

**4. Arif Partono Prasetyo, Elvira Azis, Grisna Anggadwita (2019)** conducted a study under the title “Exploring Compensation Satisfaction To Enhance Motivation And Reduce Turnover Intention Among Employee Of Private Bottled Water Company In Indonesia”. This study aims to identify the efforts of private organizations in retaining employees by analysing the role of compensation satisfaction and motivation. This study found that three hypotheses were supported. Compensation has significant positive effect on motivation and turnover intention, while motivation also has significant positive effect on turnover intention.

**5. Muhamad Rizal , M Syaffie Idrus , Djumahir , Rahayu Mintarti (2014)**, conducted a study under the title “Effect of Compensation on Motivation, Organizational Commitment and Employee Performance (Studies at Local Revenue Management in Kendari City): A Review of the Literature” which was published in International Journal of Business and Management Invention. This study purposes are to test and demonstrate empirically effect of compensation on motivation, organizational commitment on employee performance, motivation on organizational commitment and employee performance, organizational commitment on employee performance.

### III RESEARCH METHODOLOGY

#### RESEARCH DESIGN

A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure. The research design adopted for the studies is descriptive design. The researcher has to describe the present situation in order to know the behaviour of the consumers. Hence descriptive research study is used. Descriptive research can only report what has happened and what is happening.

#### METHOD OF DATA COLLECTION

Primary data means data which is fresh collected data. Primary data mainly has been collected through personal interviews, surveys etc. Secondary data means the data that are already available. Generally secondary data is collected by some organizations or agencies which have already been processed when the researcher utilizes secondary data; the process of secondary data collection and analysis is called desk research.

#### SAMPLING SIZE

The sampling size for this study will be 120 employees at Tamilnadu Newsprint and Papers Limited.

#### TOOLS FOR DATA ANALYSIS

The tools for data analysis involves Percentage analysis, Chi square test and Analysis of Variance. The data will be analysed using statistical software SPSS.

##### Percentage analysis:

This method is used to compare two or more series of data, to describe the relationship or the distribution of two or more series of data. Percentage analysis test is done to find out the percentage of the response of the respondent. In this tool various percentage are identified in the analysis and they are presented by the way of Pie charts in order to have better understanding of the analysis.

##### Chi-Square Test:

A chi-square test is a statistical test that is used to compare observed and expected results. It is one of the simplest and broadly used non parametric tests. It is a comparison of two statistical data sets and it is applicable only for categorical data.

##### ANOVA:

Analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the means of two or more independent (unrelated) groups (although you tend to only see it used when there are a minimum of three, rather than two groups). ANOVA checks the impact of one or more factors by comparing the means of different samples.

#### SCALING METHOD

Likert scaling is used which is a rating scale used to measure opinions, attitudes, or behaviors. It consists of a statement or a questions, followed by a series of five or seven answer statements. Respondents choose the opinion that best corresponds with how they feel about the statement or question.

## IV DATA ANALYSIS AND INTERPRETATION

Data analysis is a comprehensive method of inspecting, cleansing, transforming, and modeling data to discover useful information, draw conclusions, and support decision-making. It is a multifaceted process involving various techniques and methodologies to interpret data from various sources in different formats, both structured and unstructured. It is a tool that empowers organizations to make informed decisions, predict trends, and improve operational efficiency.

### 4.1 PERCENTAGE ANALYSIS

**Table No: 4.1.1**

**Job satisfaction has direct impact on employee performance**

	Frequency	Percent
Strongly agree	38	31.7%
Agree	46	38.3%
Neutral	15	12.5%
Disagree	7	5.8%
Strongly disagree	14	11.7%
Total	120	100.0%

**Inference:**

From the above table, it was found that 38.3% of the respondents agree about Job satisfaction has direct impact on employee performance, 31.7% of the respondents strongly agree about Job satisfaction has direct impact on employee performance, 12.5% of the respondents are neutral about Job satisfaction has direct impact on employee performance, 11.7% of the respondents strongly disagree about Job satisfaction has direct impact on employee performance, 5.8% of the respondents disagree about Job satisfaction has direct impact on employee performance.

### 4.2 CHI-SQUARE TEST

#### 4.2.1 HYPOTHESIS STATEMENT

**H0** – There is no significance relationship between Gender and Promotion is provided according to the performance.

**H1** – There is a significance relationship between Gender and Promotion is provided according to the performance.

**Table No: 4.2.1**

**Gender and Promotion is provided according to the performance**

	Value	df	Asymptotic Sig. (2-tailed)
Pearson Chi-Square	10.24	4	.037
Likelihood Ratio	13.63	4	.009
Linear-by-Linear Association	.21	1	.645
N of Valid Cases	120		

**Inference:**

From the above table 4.2.1, it was found that the Pearson Chi – Square Significant value is 0.037 which is less than 0.05. Hence Null hypothesis (H0) is rejected and Alternative hypothesis (H1) if accepted. Therefore, it is inferred that there is a significant relationship between Gender and Promotion is provided according to the performance.

#### 4.2.2 HYPOTHESIS STATEMENT

**H0** – There is no significance relationship between Gender and Organization do hard stuff to provide a job security

**H1** – There is a significance relationship between Gender and Organization do hard stuff to provide a job security

**Table No: 4.2.2**

**Gender and Organization do hard stuff to provide a job security**

	Value	df	Asymptotic Sig. (2-tailed)
Pearson Chi-Square	1.09	4	.896
Likelihood Ratio	.96	4	.915
Linear-by-Linear Association	.48	1	.489
N of Valid Cases	120		

**Inference:**

From the above table 4.2.2, it was found that the Pearson Chi – Square Significant value is 0.896 which is more than 0.05. Hence Null hypothesis (H0) is accepted and Alternative hypothesis (H1) if rejected. Therefore, it is inferred that there is no significant relationship between Gender and Organization do hard stuff to provide a job security.

### 4.3 ONE WAY ANOVA

#### 4.3.1 HYPOTHESIS STATEMENT

**H0** – There is no significance relationship between Educational Qualification and Pay structure at TNPL.



**H1** – There is a significance relationship between Educational Qualification and Pay structure at TNPL.

**Table No: 4.3.1**

**Educational Qualifications and Pay structure at TNPL**

**Inference:**

From the above table 4.3.1, the calculated significant value 0.005 is below than 0.05 (i.e)  $0.005 < 0.05$  (5% level of significance). Hence H0 is rejected and H1 is accepted. Therefore, it is concluded that there is a significant relationship between Educational Qualifications and Pay Structure at TNPL.

**4.3.2 HYPOTHESIS STATEMENT**

H0		Sum of Squares	df	Mean Square	F	Sig.	There is
no	Education Qualification						
	Between Groups	9.14	4	2.29	3.93	.005	
	Within Groups	66.85	115	.58			
	Total	75.99	119				

significance relationship between Age and Team reward motivates well

**H1** – There is a significance relationship between Age and Team reward motivates well

**Table No: 4.3.2**

**Age and Team Reward Motivates well**

		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	.12	4	.03	.06	.994
	Within Groups	61.85	115	.54		
	Total	61.97	119			

**Inference:**

From the the above table 4.3.2, the calculated significant value 0.994 is above than 0.05 (i.e)  $0.994 > 0.05$  (5% level of significance). Hence H0 is accepted and H1 is rejected. Therefore, it is concluded that there is no significant relationship between Age and Team reward motivates well.

**V FINDINGS**

1. The majority of the respondents have agreed regarding Job satisfaction has direct impact on employee performance.
2. There is significance relationship between Gender and Promotion is provided according to the performance.
3. There is no significant relationship between Gender and Organization do hard stuff to provide a job security.
4. There is a significant relationship between Educational Qualifications and Pay Structure at TNPL.
5. There is no significant relationship Age and Team reward motivates well.

**VI SUGGESTIONS**

Continuously monitor and evaluate the effectiveness of compensation strategies in motivating employees. Solicit feedback from employees through surveys, focus groups, or one-on-one discussions to identify areas for improvement and adapt compensation practices accordingly. Make compensation package determination method participatory whereby employees are allowed to participate plus ensure transparency among employees. Make the proper pay survey in order to assure compensation equity within and benchmark company employees. The motivations and the performance of the employees should be targeted by deserved compensations since they can be increased with a good deserved compensation to the right employees in the work place.

**VII CONCLUSION**

The research can be concluded that by systematically investigating the role of compensation on employee motivation, organizations can gain valuable insights into how to design and implement effective compensation strategies that support employee engagement, performance, and organizational success. The methods used to determine employee compensation vary

depending on organizational priorities, industry norms, and cultural factors. By prioritizing fair and competitive compensation practices, organizations can cultivate a motivated and high-performing workforce, driving success and achieving strategic objectives. While direct financial compensation directly incentivizes performance and attracts talent, indirect financial compensation contributes to employees overall well-being, job satisfaction, and work-life balance, which indirectly impact motivation. Hence, Compensation has a strong relationship or association with Motivation of Employees.

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