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## A STUDY ON EFFECT OF COMPENSATION ON SATISFACTION & EMPLOYEE PERFORMANCE

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### ABSTRACT

This comprehensive study delves into the intricate dynamics of compensation systems and their profound effects on employee satisfaction and performance within contemporary organizational settings. By synthesizing a wide array of empirical research and theoretical frameworks, it elucidates the multifaceted nature of compensation, encompassing monetary rewards, benefits, incentives, and recognition mechanisms. The investigation examines the nuanced relationships between different compensation components and various dimensions of employee satisfaction, including intrinsic motivation, job engagement, and organizational commitment. Furthermore, it scrutinizes the ripple effects of compensation on employee performance, encompassing productivity, job effectiveness, and innovation. Moreover, this research elucidates the mediating mechanisms through which employee satisfaction channels the influence of compensation on performance outcomes, shedding light on the underlying psychological processes and motivational dynamics. Through a systematic analysis of existing literature and empirical evidence, this paper offers actionable insights for organizations seeking to tailor their compensation strategies to foster a culture of satisfaction, engagement, and high performance among their workforce.

**Keywords:** Compensation, Employee satisfaction, Performance, Rewards, Benefits

### Introduction

In today's fiercely competitive business landscape, organizations are increasingly recognizing the pivotal role that compensation plays in shaping employee satisfaction and performance. Compensation, encompassing monetary rewards, benefits, incentives, and recognition mechanisms, stands as a cornerstone of the employer-employee relationship, influencing not only individual well-being but also organizational effectiveness and success. Understanding the intricate interplay between compensation, satisfaction, and performance is essential for modern businesses striving to attract, retain, and motivate top talent while driving sustainable growth and innovation. Compensation serves as a powerful tool for organizations to signal the value they place on their employees' contributions and to align individual interests with broader organizational objectives.

### Objectives

- To understand the employees perception about the fairness, equity, and adequacy of compensation structures.
- To explore the influences of compensation in motivating and engaging the employees

### Research Methodology

The foundation of this study is descriptive research. Information is gathered for a descriptive research without modifying the surrounding conditions. The purpose of descriptive research is to characterize the features of a population or phenomenon under study. Descriptive categories, another name for the categorization scheme used to characterize a situation or population, are typically utilized.

*Data Analysis and Interpretations*

*Culture accountability and excellence performance*

Particulars	Frequency	Percentage
Strongly Agree	47	31.3
Agree	71	18.7
Neutral	28	2.0
Disagree	3	47.3
Strongly Disagree	1	.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table. No.1.1 Culture accountability and excellence performance

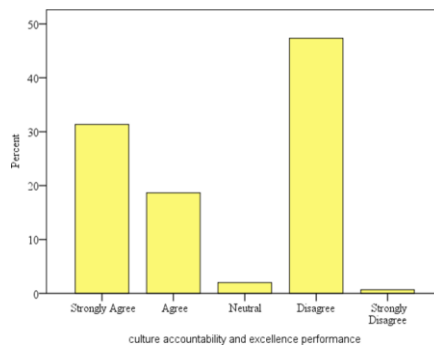


Fig.No.1.1 Culture accountability and excellence performance

**Inference:** From the above table, it is inferred that 47.3% of the respondent are disagree, 31.3% of the respondent are strongly agree, 18.7% of the respondent are agree, 2.0 % of the respondent are neutral 0.7% of the respondent are strongly disagree

*Job satisfaction levels*

Particulars	Frequency	Percentage
Strongly Agree	45	30.0
Agree	70	21.3
Neutral	32	1.3
Disagree	2	46.7
Strongly Disagree	1	.7
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table.No.1.2 Job satisfaction levels

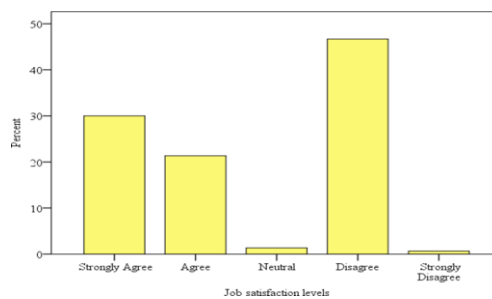


Fig.No.1.2 Job satisfaction levels

**Inference :** From the above table, it is inferred that 46.7% of the respondent are disagree, 30.0% of the respondent are strongly agree, 21.3% of the respondent are agree, 1.3 % of the respondent are neutral 0.7% of the respondent are strongly disagree

*Employees engaged in work*

particulars	Frequency	Percentage
Strongly Agree	45	30.0
Agree	71	20.0
Neutral	30	1.3
Disagree	2	47.3
Strongly Disagree	2	1.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table.No.1.3 Employees engaged in work

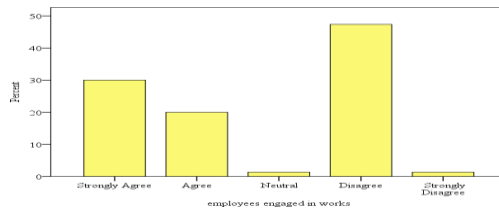


Fig no. 1.3 Employee engaged in work

Inference: From the above table, it is inferred that 47.3% of the respondent are disagree, 30.0% of the respondent are strongly agree, 20.0% of the respondent are agree, 1.3 % of the respondent are neutral, 1.3% of the respondent are strongly disagree

*Employees morale and enthusiasm*

Particulars	Frequency	Percentage
Strongly Agree	44	29.3
Agree	58	1.3
Neutral	44	29.3
Disagree	2	38.7
Strongly Disagree	2	1.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table.No.1.4 Employees morale and enthusiasm

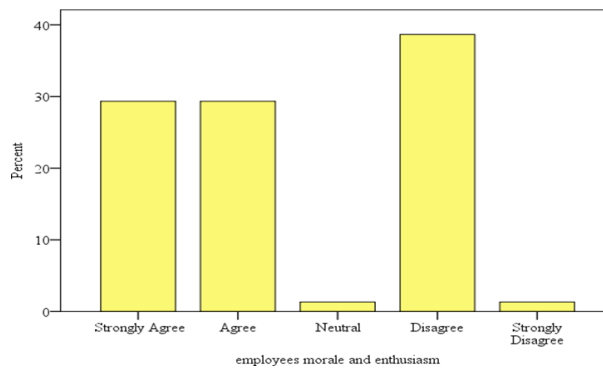


Fig.No.1.4 Employees morale and enthusiasm

**Inference:** From the above table, it is inferred that 38.7% of the respondent are disagree, 29.3% of the respondent are strongly agree, 29.3% of the respondent are neutral, 1.3 % of the respondent are agree, 1.3% of the respondent are strongly disagree

*Employees performance and achievements*

Particular	Frequency	Percentage
Strongly Agree	56	37.3
Agree	64	42.7
Neutral	23	15.3
Disagree	4	2.7
Strongly Disagree	3	2.0
<b>Total</b>	<b>150</b>	<b>100.0</b>

Table.No.1.5 Employees performance and achievements

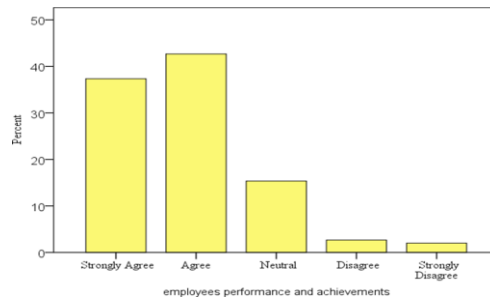


Fig.No.1.5 Employees performance and achievements

**Inference:** It is inferred that 42.7% of the respondent are agree, 37.3% of the respondent are strongly agree, 15.3 % of the respondent are neutral, 2.7 % of the respondent are disagree, 2. % of the respondent are strongly disagree

*Chi-Square Tests*

*Null hypothesis*

H0: There is no significant between Perception of fairness in compensation and Compensation decision are transparent

*Alternative hypothesis*

H1: There is significant between Perception of fairness in compensation and Compensation decision are transparent

*Summary of the chi-square*

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Perception of fairness in compensation Compensation decision are Transparent	159	100.0%	0	0.0%	159	100.0%

Table.No.1.6 Summary of the chi-square

	Value	Df	Asymp. Sig. (2-sided)
<b>Pearson Chi- Square</b>	<b>167.746</b>	<b>25</b>	<b>0.000</b>
	a	-	
<b>Likelihood Ratio</b>	<b>78.730</b>	<b>25</b>	<b>0.000</b>
<b>N of Valid Cases</b>	<b>159</b>		

Table.No.1.7 Chi-Square Tests

**Inference:** From the above table 4.38, The chi-square test results indicate a significant association between the variables (Pearson Chi-Square value = 167.746, df = 16,  $p < 0.001$ ). However, the test's validity is compromised because 48.0% of the cells have expected counts less than 5. The minimum expected count is .08.

### *Correlation*

#### *Null hypothesis*

H0: There is no relationship between the level of job satisfaction and Accomplishment at work

#### *Alternative hypothesis*

H1: There is relationship between the level of job satisfaction and Accomplishment at work

		The level of job satisfaction	Accomplishment at work
<b>The level of job satisfaction</b>	<b>Pearson Correlation</b>	<b>1</b>	<b>0.246**</b>
	<b>Sig. (2-tailed)</b>		<b>0.002</b>
	<b>N</b>	<b>150</b>	<b>150</b>
<b>Accomplishment at work</b>	<b>Pearson Correlation</b>	<b>0.246**</b>	<b>1</b>
	<b>Sig. (2-tailed)</b>	<b>0.002</b>	
	<b>N</b>	<b>150</b>	<b>150</b>

Table.No.1.8 Correlation Test

**Inference:** From the table,  $r = 0.246$  ( $r$  value lies between -1 to +1), hence it is clear that there is a positive correlation relationship between the level of job satisfaction and Accomplishment at work. So, H1 is accepted. There is relationship between loyalty to the company and satisfied with the benefits

## **Suggestions**

- Fair compensation fosters a culture of accountability by incentivizing employees to take ownership of their responsibilities and strive for excellence in performance.
- Compensation that accurately reflects employee contributions positively affects job satisfaction levels, as employees feel valued and recognized for their efforts.
- Compensation aligned with employee contributions enhances the quality of work, as it motivates employees to invest more effort and expertise in their tasks to match the perceived value of their compensation.
- Employees who feel fairly compensated are more likely to be engaged in their work, as they perceive their compensation as a fair exchange for their time, skills, and dedication.

- Compensation directly impacts employee morale and enthusiasm for their work, with fair compensation contributing to higher levels of morale and sustained enthusiasm among employees.

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## Conclusion

In Conclusion, this study focused on effectiveness of compensation on satisfaction and employee performance that are imparted in Brite Brothers limited. Fair compensation directly influences employee satisfaction and performance, fostering engagement, accountability, and loyalty, thus driving higher levels of job satisfaction and improved performance quality. In this study I have studied how Effect of Compensation on satisfaction & employee performance, here I have collected data from employees through a questionnaire in that I have found some problems and I gave my suggestion to overcome those problems

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