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EVALUATING THE IMPACT OF COMPENSATION MANAGEMENT ON EMPLOYEE PERFORMANCE WITH SPECIAL REFERENCE TO ABT DAIRY, POLLACHI

Mr. M. Jogeswaran[1], Dr. A. Giriprakash[2], Mr.T.Sivagnana Selvakumar[3]
[1]*MBA*
[2]*Assistant Professor*
[3]*Assistant Professor*
Sakthi Institute of information and Management Studies, Pollachi.

ABSTRACT
Compensation management is a vital component of human resource management that significantly influences employee performance, motivation, and job satisfaction. This research aims to provide a comprehensive review of existing literature on the relationship between compensation management and employee performance. The research explores various theoretical frameworks, including Equity Theory, Expectancy Theory, and Reinforcement Theory, which highlight the psychological and behavioural aspects of compensation and its impact on employee productivity.

The research further examines empirical research that demonstrates how different compensation structures such as base pay, performance-based incentives, benefits, and non-financial rewards affect employee motivation, engagement, and retention. Studies indicate that while financial compensation remains a primary motivator, non-monetary rewards such as career development opportunities, job recognition, and work-life balance play an equally crucial role in enhancing employee satisfaction and loyalty.

KEY WORDS: *Compensation Management, Employee Performance, Incentive Systems, Strategic Compensation, Reward Systems, Workforce Management.*

I. INTRODUCTION

India is endowed with a largest livestock population in the world having a total bovine population of 304 million compared to the world's total bovine population of 1400 million. It accounts for 57.3% of the world's buffalo population and 14.7% of the cattle population. As per 18thLivestock Census, 2007 the country has 33.06 million cross bred cattle, 199.07 million indigenous cattle and105.34 million buffaloes. The cross bred cattle are predominant in Tamil Nadu, Maharashtra, West Bengal, Karnataka, Andhra Pradesh, Uttar Pradesh and Bihar, while buffaloes are very common in Uttar Pradesh, Rajasthan, Andhra Pradesh, Madhya Pradesh, Gujarat, Punjab, Haryana and Bihar. There has been a major improvement in milk production, which increased from 17 million tonnes in 1951 to 127.9 million tonnes during 2011-12. Uttar Pradesh, Punjab, Madhya Pradesh, Rajasthan, Maharashtra, Gujarat, Andhra Pradesh, Haryana, Tamil Nadu and Bihar contributed to the extent of 80 percent of the total milk production in the country. The per capita availability of the milk has reached a level of 290 grams per day during the year 2011-12, which is more than the world average of 284 grams per day. Most of the milk in the country is produced by small, marginal farmers and landless labours

The dairy industry is a vital sector that significantly contributes to the global economy by providing essential dairy products such as milk, cheese, yogurt, and butter. With increasing consumer demand for high-quality dairy products, organizations in this sector must focus on effective human resource management (HRM) practices to ensure operational efficiency, employee satisfaction, and overall business success. Among the key HRM functions, compensation management plays a crucial role in influencing employee motivation, performance, and retention.

II. REVIEW LITERATURE

1. Thapa (2023) found that both financial and non-financial compensation significantly affect employees' job performance, with employee motivation serving as a mediating factor. Similarly, Mulyadi et al. (2024) reported that compensation influences work motivation, which in turn affects employee performance.

2. Ariani (2023) examined the relationships among compensation, motivation, job satisfaction, and employee performance. The study concluded that compensation and motivation are positively related to employee performance, with motivation also enhancing job satisfaction. In the words of McNamara, compensation includes issues regarding wage and/ or salary programs and structures accruing from job descriptions, merit-based programs, bonus-based programs, commission-based programs and so on, while benefits typically refers to retirement plans, health life insurance, disability insurance, vacation, employee stock ownership plan and so on.
3. Khan et al. (2024) investigated the influence of compensation plans and performance feedback on employee retention in the Indian retail sector. The study found that both intrinsic and extrinsic rewards play a crucial role in performance feedback, which in turn aids in retaining employees.

III. RESEARCH OBJECTIVES

- To analyse the different compensation measures and benefits offered by ABT Industries Limited, Dairy Division.
- To assess employee satisfaction with the compensation measures provided by Sakthi Dairy Ltd.
- To evaluate the impact of compensation measures on employee motivation at ABT Industries Limited, Dairy Division.

IV. SCOPE OF RESEARCH

- The study is limited to ABT Dairy located in Marchanaickenpalayam, Pollachi.
- It focuses exclusively on ABT Dairy and does not include other dairy firms or branches.
- The research examines compensation components such as salary, incentives, bonuses, allowances, and other benefits.
- Employees from various departments and levels within ABT Dairy are considered for the study.

HYPOTHESIS

1) Employees are not significantly satisfied with the compensation measures provided by Sakthi Dairy Ltd.
2) Employees are significantly satisfied with the compensation measures provided by Sakthi Dairy Ltd**.**
3) There is no significant variety in the compensation measures and benefits offered by ABT Industries Limited, Dairy Division.
4) There is a significant variety in the compensation measures and benefits offered by ABT Industries Limited, Dairy Division.
5) There is no association between gender and salary satisfaction.
6) There is a significant association between gender and salary satisfaction**.**

V. RESEARCH METHODOLOGY

Types of Data Collection:

Data are the bricks with which the researcher has to make a house. While the quality of research findings depends on data, the adequacy of appropriate data in turn depends upon proper method of data collection. A number of methods are at the disposal of the researcher of which one has to select the most appropriate one for visualizing the research objective.

a) Primary Data: Data which are collected fresh and for the first time and thus happens to be original in character. Primary data are gathered for specific purpose.

b) **Secondary data:** Data that collected from primary data i.e., they are already exit somewhere. For the purpose of the study, I collected both the data.

Sample Size

116 Employees in ABT INDUSTRIES LIMITED, DAIRY DIVISION.

Area of the Study

The geographical area of the study chosen for this research is ABT INDUSTRIES LIMITED, DAIRY DIVISION

Analysis Technique

Data Analysis Tools: Statistical software such as SPSS and Excel will be used to perform quantitative analysis of the survey data including descriptive statistics.

Chi-Square Test-1

H0: Employees are not significantly satisfied with the compensation measures provided by Sakthi Dairy Ltd.

H1: Employees are significantly satisfied with the compensation measures provided by

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Sakthi Dairy Ltd.

Interpretation

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1222617.228[a]	20	.012
Likelihood Ratio	2365.099	20	.023
N of Valid Cases	1048575		

1. The Pearson Chi-Square test produced a very high statistic value of 1,222,617.228 with 20 degrees of freedom and a p-value of 0.012, indicating a statistically significant result.
2. The Likelihood Ratio test also showed significance, with a test statistic of 2,365.099, 20 degrees of freedom, and a p-value of 0.023, supporting the finding of a significant association.

Chi-Square Test-2

H0: Age and performance improvement perception are independent.

H1: Age and performance improvement perception are associated**.**

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1072043.463[a]	12	.010
Likelihood Ratio	2348.128	12	.024
N of Valid Cases	1048575		

Interpretation

1. The Pearson Chi-Square value is 1,072,043.463 with 12 degrees of freedom and a p-value of 0.010. Since the p-value is less than 0.05, we reject the null hypothesis. This means there is a statistically significant association between the two categorical variables tested (e.g., Gender vs. Salary Satisfaction or any two variables in your questionnaire).
2. The number of valid cases is 1,048,575, which is extremely large. With such a big sample size, even small differences between groups can appear statistically significant. Therefore, while the result is statistically significant, the practical or real-world significance should be assessed with effect size measures (like Cramér's V) or by reviewing group percentage differences.

Correlation test

H0: There is no significant variety in the compensation measures and benefits offered by ABT Industries Limited, Dairy Division.

H1: There is a significant variety in the compensation measures and benefits offered by ABT Industries Limited, Dairy Division.

Correlations			
		How would you rate the fairness of your compensation compared to similar roles in other companies?	What changes in the compensation system would make you more productive?
How would you rate the fairness of your compensation compared to similar roles in other companies?	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	104.509	104.509
	Covariance	.909	.909
	N	116	116
What changes in the compensation system would make you more productive?	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	104.509	104.509
	Covariance	.909	.909
	N	116	116

Interpretation

There is a perfect and statistically significant positive correlation between how employees perceive the fairness of their compensation and their opinions on whether changes to the compensation system would make them more productive.

VI. FINDING

The findings of the study reveal that compensation management plays a critical role in influencing employee performance at ABT Dairy, Marchanaickenpalayam, Pollachi. A significant proportion of respondents reported satisfaction with the existing compensation system, with statistical evidence (Chi-Square test) supporting a strong association between compensation and employee satisfaction. A perfect positive correlation ($r = 1.000$, $p = 0.000$) was found between employees' perception of compensation fairness and their belief that better compensation would directly enhance their productivity. This suggests that when employees perceive their pay as equitable and competitive, their motivation and performance levels tend to increase. The study also found a significant association between age and perception of performance improvement, indicating that compensation strategies may have varying impacts across age groups. Additionally, gender appeared to influence salary satisfaction, although some statistical limitations in the data were noted. Most employees were mid-career factory workers on fixed salaries who viewed their pay as fair and performance-enhancing. However, the study also identified several concerns, including delays in salary revisions, a lack of transparency in promotions, and insufficient performance-linked incentives. Despite these issues, many employees indicated that the current compensation structure positively influenced their retention and overall job performance.

VII. SUGGESTIONS AND RECOMMENDATIONS

- Review and improve salary structures to match workload and industry standards.
- Increase transparency in compensation policies and criteria for promotions.
- Conduct regular and timely compensation reviews to build trust and satisfaction.
- Introduce or expand performance-based bonuses to motivate employees.
- Address delays and inconsistencies in salary payments.
- Enhance communication channels for voicing compensation concerns.
- Consider offering more non-financial incentives such as flexible work hours, health benefits, and career growth opportunities.
- Invest in leadership training to support managerial roles and future promotions.

VIII. CONCLUSION

The present study comprehensively investigated the role of compensation management in influencing employee satisfaction, motivation, and performance at ABT Industries Limited, Dairy Division. Through extensive data analysis—including percentage analysis, Chi-square testing, and correlation analysis—the study identified critical insights into how compensation practices impact the workforce.

The percentage analysis revealed that the majority of employees are either young or in their mid-career phase, with a workforce largely composed of factory workers. Most employees receive fixed salaries and believe their compensation is generally fair and motivating. However, challenges such as delays in salary increments, insufficient performance-based incentives, and limited clarity in promotional criteria indicate areas where the organization could improve its compensation framework. Despite these challenges, the workforce demonstrates a positive perception of the compensation system, with many employees indicating that it encourages them to stay longer and perform better.

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