

# The Impact of Compensation on Improving Employees Performance Through Job Satisfaction in IT Companies in India

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## **Abstract**

*The aim of this paper is to examine the effect of compensation on improving the performance of employees through job satisfaction in IT companies in India. The results showed that the compensation effect the employees performance and job satisfaction directly, job satisfaction effect the employees performance directly while the effect of compensation on the employees through job satisfaction is negative so in this case the job satisfaction don't play the role of mediator between compensation and employees performance in Jordanian newspaper. From the above results, the researchers recommended that the Jordanians newspaper should be more interested in financial & non-financial compensation by giving employees more bonuses and annual bonuses that provide employees with job satisfaction, which leads to higher performance.*

**Key Words:** Compensation, Job Satisfaction, Employees Performance, IT companies

## **INTRODUCTION**

The human resources in all organizations focusing in hiring and retaining competent employees and developing capabilities through different practices. The financial and nonfinancial benefits received by employee's relationships called compensation. Indian IT companies are similarly run-through this trend to guarantee their keenness within the industry. Human resource units consider a various compensation and benefits practices considered by HR to guarantee maximum employment of the human capital within the industry.

To accomplish specified objectives, leaders capabilities generally depends on the actual execution of rewards packages in order to inspire the workers and staffs within and beyond their expectation. The form of salary, wages and same rewards like monetary exchange by employees to encourage them to increases their Performance as output and benefits called Compensation. Compensation the outcomes of employee contract which is the segment of transition between the employee and the owner. From the viewpoint of employees its life requirements. Compensation should be reasonable, regardless of economic consideration. The current definition of compensation, however, considers both intrinsic and extrinsic components of compensation.

A total amount of monetary and non-monetary paid by a company to worker established on effort achieved as prerequisite. In addition, Compensation also includes payments such as bonuses, profit sharing,

overtime, appreciation bonuses and sales commission. It can also include non-financial remunerations such as care paid, stock sharing, resident paid.

### Objective:

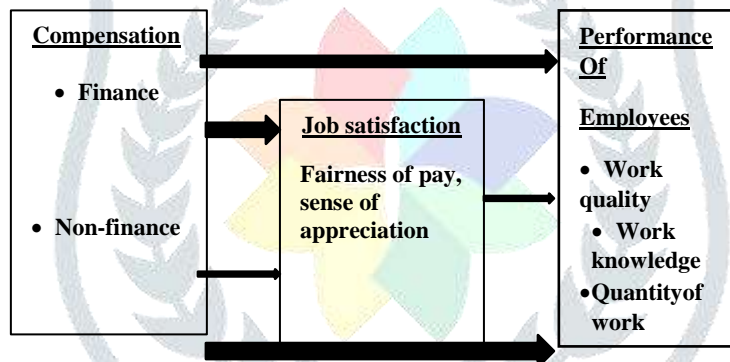
The aim of this study is to examine the impact of compensation on the performance through mediating factor the job satisfaction.

Direct compensation has to do with salary part while indirect compensation is the peripheral benefits a worker enjoys because of working in an organization.

### STATEMENT OF THE PROBLEM

Compensation and business economic performance, mediated model compensation and firm performance. Many similar studies have focused on the operations of businesses in developed countries, Similarly, many researchers has been studied the relationship between compensation and performance, in addition to that, the studies included the impact of compensation on performance in many marketing establishments.

**Conceptual Model: Fig 1**



### Hypotheses:

The following hypotheses are stated and will be tested with the purpose of achieving the aim of the study.

**H01:** There is no statistically significant effect at the level of significance ( $0.05 = \alpha$ ) of compensation dimensions (financial compensation, non-financial compensation) on improving the performance of employees dimensions of IT companies in India.

**H02:** There is no statistically significant effect at the level of significance ( $0.05 = \alpha$ ) of compensation dimensions (financial compensation and non-financial compensation) on improving job satisfaction dimensions IT companies in India.

### THEORETICAL FRAMEWORK AND REVIEW OF LITERATURE

#### Compensation

Compensation play an important significant role in affecting organization the organizations should look up to its staffs as the important source of development holding to stay in the market. The fundamental part of

human resource management tactic to yield development in the organizations compensation system. It deals with the plan; execution and preservation of organization are identical. The compensation program consist of two dimensions, which are, direct and indirect forms of compensation. Direct compensation has to do with salary part while indirect compensation is the peripheral benefits a worker enjoys because of working in an organization. Mixing the two into a package that will inspire the accomplishment of an organizations objective.

The payment course is important and a source of contention in most organizations. It deals with rewarding people in accordance with their value in the organization. The same procedure is concerned with both financial and non-financial rewards. It holds the strategies, philosophies plans and processes employed by organizations to develop and maintain reward systems.

The employee compensation includes two dimensions, which are of pay and fringe benefits. Pay or cash pay, the direct pay given to employers for their work achievement, these include (salary, overtime pay, shift allowance and uniform allowances. And pay contingent on performance like merit awards, incentive pay, bonuses and gain sharing), in other hand the fringe compensating include, (social security, health benefits, pension plans, paid time off, tuition reimbursement, foreign service premiums and so on). In general, the compensation system is improving the organizational, team and individual's performance, Compensation management is fretful in designing and executing the strategies and policies that help in compensating employees fairly, equitably and consistently in accordance with their values to the organization.

Compensation management advises that the employee who work better should paid more than the other employee who do not perform well. This inspires employees to work harder in order to regain more salaries stated that compensation is the overall of rewards given to employees in return for their performances, the total purposes of which are to appeal, keep and encourage employees. As compensation included of both fixed and variables components as well as employees benefits and services, an ideal combination of these elements is efficiently affect position employees' performance.

The best dynamic tool for generating value to organization is extrinsic compensation. Intrinsic rewards are the job inherent, intangible, non-financial rewards included in the job itself such as job tasks, challenging and interesting job and training possibilities offered to the employees.

## **Compensation**

Compensation is generally limited to the (salary) that the staffs receive monthly or weekly basis for the activities employees provided to organization. It could be also as stock share owning given to employees as a bonus in their organizations, where they work and at the end of each year, they have the chance again to gain some divided in the form of equity on their shares. The indirect compensation forms, it as Extra

Compensation includes 'Extra benefits' offered through numerous employee activities and benefits such as resident, subsidized food, health insurance, nurseries and so on.

### **Performance**

Assessing employee performance is a critical decision among companies. It offers vital information about employee output and the distribution of benefits that characterize these provisions. Fair performance assessments are critical to avoiding unjustified bias and enhancing objectivity, productivity and staff responsibility. The relationship between human resource and performance is established on two theoretical strands. The first resources of the firm and the second is the expectancy theory of incentive, which consists of three elements: the valence or value attached to rewards; the instrumentality, or the trust that the employees will obtain the reward on achieving accepted level of performance; and the expectancy, the assumption that each employee should achieve the required performance.

The efficiency and effectiveness both are measuring the performance of employees, which indicates the productivity of each employee. Productivity is a performance measure encompassing both efficiency and effectiveness. It is stated that the productivity is a amount of output from a production process, output/unit. The strong culture organization leads to high and effective performance. Organizations that encourage the employee to participate in decision-making, setting objectives and solve problems will have higher performance. Inspire a more advanced approach of participating, employee elevation and satisfaction, and even lower workers' compensation rates.

### **Job Satisfaction**

The job satisfaction as "job satisfaction is indeed the case of expressive and exciting everyone in their work fun." Job satisfaction is important to reduce the employees leaving organizations increasing enthusiasm. Prior studies have confirmed that there are different instruments to deal with job satisfaction, such as wages, appreciation and strong work culture. It is stated that more loyalty and commitment of employees leads to more satisfaction and good performance confirmed that it is not the job its self, which caused to satisfaction and dissatisfaction, but the most important factor is the expectation of employees. The most significant factor in the organization is always job satisfaction. In order to succeed organization must keep their employees satisfied. The results of their study confirm that the healthcare organization should have more interest in their employee's satisfaction and consider it as crucial factor to get better performance. To satisfy staffs, firms should provide diverse amenities to staffs like to free products and services, health culture, fairness, give elevation and payments to employees because these are the fundamentals, which contribute to employee satisfaction.

## STUDY METHODOLOGY

Descriptive research involves collecting data in order to test hypotheses or to answer questions concerned with the status of the subject of the study. Typical descriptive studies are concerned with the assessment of attitudes, opinions, demographic information, conditions, and procedures. The research design chosen for the study is the survey research.

A survey is an attempt to collect data from members of a population in order to determine the status of that population with respect to one or more variables. The Survey research of knowledge at its best can provide very valuable data. It represents a considerable amount more than asking questions and reporting answers. It involves a careful design and execution of each of the components of the research process. The researcher designed a survey instrument that could be administered to selected subjects. The purpose of the survey instrument was to collect data about the respondents on the Core Competence; Competitive Advantage and Organizational Performance.

## STATISTICAL TREATMENT

The data collected from the responses of the study questionnaire was used through Statistical Package for the Social Sciences (SPSS) and Path Analysis using Amos Program version 5 for analysis and conclusions. Finally, the researcher used the suitable Statistical methods that consist of Cronbach's  $\alpha$  to test reliability. Arithmetic Mean and Standard Deviation to test Importance levels & Multiple Regression analysis to Measure the impact of study variables on testing the direct effects.

## RELIABILITY

Reliability of the scale verified by establishing internal consistency using Cronbach alpha coefficient and the results are shown in Table 1

**Table 1: Cronbach's Alpha values**

Item	Dimension	alpha
Compensation	Financial	0.80
	Non-Financial	0.00
Job Satisfaction	Fairness Pay	0.90
Employees performance	Performance	0.88
	Quantity of work	0.90
	Quality of work	0.88
	Job knowledge	0.88
Total	0.90	

Table 1 shows that all values of Cronbach's alpha for all dimensions of the two variables are larger than 0.80 and, therefore the scale achieve reliability through the internal consistency measure.

### Compensation

Means, standard deviations and correlation coefficients among the dimensions of the variables given in Table (2).

Table 2 Means, standard deviations of the responses of individuals for the compensation IT companies in India.

Dimensions	Mean	Std Dev.
Non- Financial Compensation	3.03	0.85
Financial Compensation	2.98	0.84
Average	3.01	

Table 2 shows that respondents response on the dimensions of compensations in the IT companies ranged between (2.98- 3.83), the "non-financial compensation" ranked first with an average of (3.03). The average of the compensation in the IT companies in India as a whole was(3.01) which medium.

### Job satisfaction

Table 3 Means, standard deviations of the responses of individuals for the job satisfaction IT companies in India.

Dimensions	Mean	Std Dev.
Sense of Appreciation	2.78	0.99
Fairness of pay	2.74	1.06
Average	2.76	

Table 3 shows that respondents response on the dimensions of job satisfaction in the Jordanian newspaper ranged between (2.78- 2.74), the Sense of Appreciation ranked first with an average of (2.78). The average of the compensation in the IT companies in India as a whole was (2.76)which is medium.

## Employees Performance

Table 4 Means, standard deviations of the responses of individuals for the employees performance in IT companies in India.

Dimensions	Mean	Std Dev.
Performance Accuracy	3.23	0.85
Work quality	3.14	0.92
Work Knowledge	3.06	0.89
Work quantity	3.03	0.93
Average	2.12	

Table 4 shows that respondents response on the dimensions of employees performance in IT companies in India ranged between (3.23- 3.03), the Work quality ranked first with an average of (3.14). The average of the compensation in the IT companies in India as a whole was (3.12) which is medium

**Table 5: The direct and indirect effect of the independent variable on the dependent variable**

Effect	CM	B	t	Sig.
Direct	Financial compensation Employees performance	0.476	9.002	0.000
	Non-Financial compensation Employees performance	0.406	7.491	0.000
Indirect	Financial compensation Job Satisfaction Employees Performance	0.376	8.545	0.000
	Non -Financial compensation Job Satisfaction Employees Performance	0.284	7.676	0.000

Table 5 shows that the total value of (B) was (0.476) and the total value of (T) was (9.002), for the direct effect of the financial compensation on the performance which are statistically significant values and for indirect effect the total of (B) was (0.376) and the total value of (T) was (8.545) which are statistically significant values. These results indicate that after adding the job satisfaction as a mediator the effect is going down which means job satisfaction is not improving the effect of financial compensation on performance

## CONCLUSION

The employees of IT companies in India received both financial and non-financial compensation, which perceived generally as a level of satisfaction in their performance. The results showed that the

compensation in the Jordanian newspaper rated average, the financial compensation ranked first and the non-financial came in second, the results of job satisfaction rated average, the fairness of pay came first while the sense of appreciation came the second. The results of employee's performance indicated an average results, the quality of work came first while the accuracy of work came second and the quantity of work came the third.

The compensation effect the employees performance and job satisfaction directly, job satisfaction, effect the employees performance directly while the effect of compensation effect the employees through job satisfaction is negative so tin this case the job satisfaction don't play the role of mediator between compensation and employees performance in Jordanian newspaper. The researchers recommended that the Jordanians newspaper should be more interested in financial & non-financial compensation by giving employees more bonuses and annual bonuses that provide employees with job satisfaction, which leads to higher performance. In addition conducting several future studies that will address the impact of other dimensions of compensation systems in improving the performance of employees by using other dimensions of job satisfaction.

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