

**“A Study on the Impact of Compensation Structure on Employee  
Satisfaction, Motivation, Performance and Retention at  
KRIBHCO”**

**Krunal Parekh**

**Student**

**Department of Human Resource Development,  
Veer Narmad South Gujarat University.**

**Dr. Firuzi Bhathena**

**Adhoc Assistant Professor**

**Department of Human Resource Development,  
Veer Narmad South Gujarat University.**



## **Abstract:**

Compensation is a vital component of Human Resource Management, functioning as both a motivational tool and a strategic mechanism for aligning employee performance with organizational objectives. In Public Sector Undertakings (PSUs) such as Krishak Bharati Cooperative Limited (KRIBHCO), compensation systems are highly standardized, emphasizing fairness, equity, and long-term employee welfare. This study examines employees' perceptions of KRIBHCO's compensation structure and its impact on job satisfaction, motivation, performance, and retention across different employee categories. A descriptive and analytical research design was adopted, using primary data collected through a structured questionnaire from 45 valid respondents. Statistical tools such as percentage analysis, mean scores, and one-way ANOVA were applied for analysis. The findings reveal high satisfaction with basic pay, allowances, and social security benefits, reflecting transparency and equity in the system. However, lower satisfaction with bonuses and incentives indicates limited performance-based differentiation. The study concludes that while KRIBHCO's compensation framework ensures stability and fairness, strengthening performance-linked rewards could enhance employee motivation, engagement, and long-term retention.

## **Introduction:**

Compensation is a vital function of Human Resource Management that extends beyond the payment of wages and salaries to include allowances, social security benefits, incentives, and long-term welfare provisions. In modern organizations, compensation is increasingly viewed as a strategic tool that influences employee satisfaction, motivation, performance, and retention. A well-designed compensation system helps organizations attract competent employees, maintain internal equity, and align individual performance with organizational objectives.

In India, compensation structures in Public Sector Undertakings (PSUs) are largely standardized and governed by regulatory frameworks that emphasize fairness, transparency, job security, and social welfare. While such structures ensure stability and equity, they often provide limited flexibility for performance-based differentiation. This can affect employee perceptions regarding reward adequacy and motivation, particularly in a competitive labour market.

Krishak Bharati Cooperative Limited (KRIBHCO), a leading cooperative organization operating on PSU-like principles, follows a structured compensation system that includes basic pay, allowances, social security schemes, and profit-linked incentives. Given KRIBHCO's

large and diverse workforce, understanding how employees perceive this compensation structure is significant for evaluating its effectiveness and identifying areas for improvement. The study is important as it provides empirical insights into compensation management in the PSU context and contributes to academic literature on employee satisfaction and retention.

### **Research Question**

Despite having a structured and transparent compensation system, organizations like KRIBHCO continue to face challenges related to employee motivation, performance recognition, and long-term retention. Employees may perceive a gap between their effort and rewards, particularly in relation to incentives and performance-based compensation. Moreover, differences in perception across employee categories such as Officers and Workmen may influence overall satisfaction and organizational commitment.

### **Accordingly, the central research problem addressed in this study is:**

To examine whether KRIBHCO's compensation structure adequately satisfies employees and effectively influences their job satisfaction, motivation, performance, and retention, and whether these perceptions differ significantly across employee categories.

### **Literature Review (Fields, 2014)**

Human resources are a key determinant of organizational effectiveness, and the retention of a skilled workforce is essential for sustained performance and competitive advantage. Employee satisfaction has been widely recognized as a crucial factor influencing motivation, productivity, and organizational success.

Evidence from Nigeria's insurance sector demonstrates a significant relationship between compensation management and employees' job satisfaction. Using a questionnaire-based survey with 212 valid responses (84.4% response rate), the study found a statistically significant but weak positive correlation between compensation management and job satisfaction. Despite the weak relationship, compensation practices were shown to influence employee motivation and overall job satisfaction.

These findings highlight compensation management as an important human resource practice for enhancing employee motivation, retention, and organizational performance. Effective and equitable compensation systems therefore remain essential for aligning employee expectations with organizational objectives, particularly within service-oriented industries such as insurance.

### **(Pratiwi, 2021)**

A study conducted at the Office of the Ministry of Religious Affairs in Makassar City examined the partial and simultaneous effects of compensation and job satisfaction on

employee performance. The study involved 52 employees and employed a quantitative research design. Data were analysed using multiple linear regression with SPSS, supported by validity, reliability, normality, heteroscedasticity, and autocorrelation tests. Hypotheses were tested using the R-square, t-test, and F-test. The findings revealed that both compensation and job satisfaction have a positive and statistically significant effect on employee performance, both individually and simultaneously.

**(Inda, 2016)**

Employees enter organizations with pre-existing work values, which are shaped and reassessed through their interaction with the job and organizational environment. Based on these experiences, employees gradually decide the extent to which they invest themselves in their work. Job involvement therefore develops over time, as individuals first evaluate job demands and the conduciveness of the work environment before committing their energy and identity to the job.

Higher job involvement leads employees to devote greater time and effort to work-related activities, resulting in increased interaction with and exploration of the work environment. Through successful work experiences and the attainment of mastery, employees develop a sense of competence and confidence in their abilities. This perceived competence further strengthens job involvement, creating a reciprocal and reinforcing relationship between job involvement and competence.

Importantly, job involvement serves as a necessary precondition for job satisfaction, as employees who are not alienated from their work are more likely to derive satisfaction from the job itself. Increased job satisfaction, in turn, supports positive outcomes such as sustained work engagement and employee retention.

**(Rosalia, 2020)**

A study conducted at SMK Medika Samarinda examined the effects of compensation and motivation on job satisfaction and employee performance, as well as the mediating role of job satisfaction. Using an explanatory and descriptive research design, data were collected through a survey of all 52 employees using a census method. The study employed the Structural Equation Modelling Partial Least Squares (SEM-PLS) approach for data analysis.

The findings revealed that compensation had a significant negative effect on job satisfaction, while motivation had a significant positive effect on job satisfaction. Compensation and motivation did not have a significant positive direct effect on employee performance. However, job satisfaction was found to have a significant positive effect on employee performance. In terms of indirect effects, compensation did not significantly

influence employee performance through job satisfaction, whereas motivation had a significant positive indirect effect on performance via job satisfaction. These results indicate that job satisfaction plays a critical mediating role and is the primary determinant of employee performance at SMK Medika Samarinda.

## **Research Methodology**

### **Objectives of Study**

- i. To evaluate employee perceptions regarding the fairness and effectiveness of their compensation.
- ii. To analyse the compensation in relation to motivation, satisfaction, performance, and retention.
- iii. To examine the level of employee satisfaction among different categories of employees (Officers, Workmen, and NA) at KRIBHCO.

### **Research Design**

The study adopts a descriptive and analytical research design. The descriptive design is used to assess employees' perceptions of compensation, job satisfaction, motivation, performance, and retention. Meanwhile, the analytical design facilitates the examination of differences in perceptions across employee categories using statistical techniques such as mean analysis and one-way ANOVA. For conducting the one-way ANOVA and analysing the data efficiently, the Statistical Package for the Social Sciences (SPSS) software is used. This combination enables a systematic and objective evaluation of compensation-related outcomes within the organization.

### **Population and Sample**

The population of the study comprises employees of KRIBHCO, including Officers, Workmen, and employees who did not disclose their grade (NA). A total sample size of 50 employees was selected for the study, out of which 45 questionnaires were completed and considered valid for analysis, resulting in a response rate of 90%. Due to accessibility and time constraints, a convenience sampling technique was employed. Therefore, the final analysis of the study is based on the 45 completed and valid questionnaires collected from the employees.

### **Unit of Analysis**

The unit of analysis is the individual employee of KRIBHCO, representing different employee categories.

### **Variables of the Study**

In this study, the independent variable is the employee category, which includes Officers, Workmen, and employees who did not disclose their grade (NA) within KRIBHCO. The dependent variables examined are job satisfaction, motivation, performance, and retention,

which are used to evaluate how differences in employee categories may influence these work-related outcomes.

### **Sources of Data**

Primary and secondary data were used in this study. Primary data were collected directly from employees of KRIBHCO through a structured questionnaire designed to capture their perceptions related to compensation and work outcomes. In addition, secondary data were obtained from company manuals, HR policy documents, and compensation guidelines, which provided supporting information and a better understanding of the organization's compensation structure and policies.

### **Data Collection Method**

The survey method was used for data collection. Questionnaires were personally distributed to employees to ensure clarity and maximize response rates. Respondents were informed about the purpose of the study and assured of confidentiality and anonymity.

### **Research Instrument**

A structured questionnaire was used as the data collection instrument and was divided into two sections. Section A focused on collecting demographic information of the respondents, while Section B consisted of items designed to measure compensation awareness, job satisfaction, motivation, performance, and retention among the employees. This structure helped in systematically gathering both background details and key variables required for the study.

### **Data Collection Procedure**

The questionnaires were distributed to 50 employees of KRIBHCO. After explaining the study objectives and ensuring confidentiality, responses were collected. A total of 45 questionnaires were found complete and suitable for analysis. The data were then coded, tabulated, and prepared for statistical analysis.

### **Tools and Techniques of Data Analysis**

The collected data were analysed using various statistical tools. Percentage analysis was used to understand the distribution of responses, while measures of central tendency were applied to determine the average values of the variables. In addition, one-way Analysis of Variance (ANOVA) was conducted to examine differences in perceptions among different employee categories. For performing the one-way ANOVA, IBM SPSS Statistics software was used to ensure accurate and systematic data analysis.

### Limitations of the Study

The research is confined to a single organization, limiting generalizability. The sample size is relatively small. Findings are based on self-reported perceptions, which may involve respondent bias. Time constraints restricted deeper qualitative analysis.

### Scope of the Study

The study focuses on compensation-related satisfaction and its impact on motivation, performance, and retention among KRIBHCO employees. The findings provide valuable insights for HR managers to enhance compensation strategies and serve as a reference for future research on compensation management in public sector undertakings.

### Data Analysis & Interpretation

The respondents of this study comprised 45 employees, consistent with the determined sample size. To provide a clear profile of the participants, respondents were categorized based on age, gender, length of service in KRIBHCO, Department and Grade. These demographic characteristics are presented in Table 1.

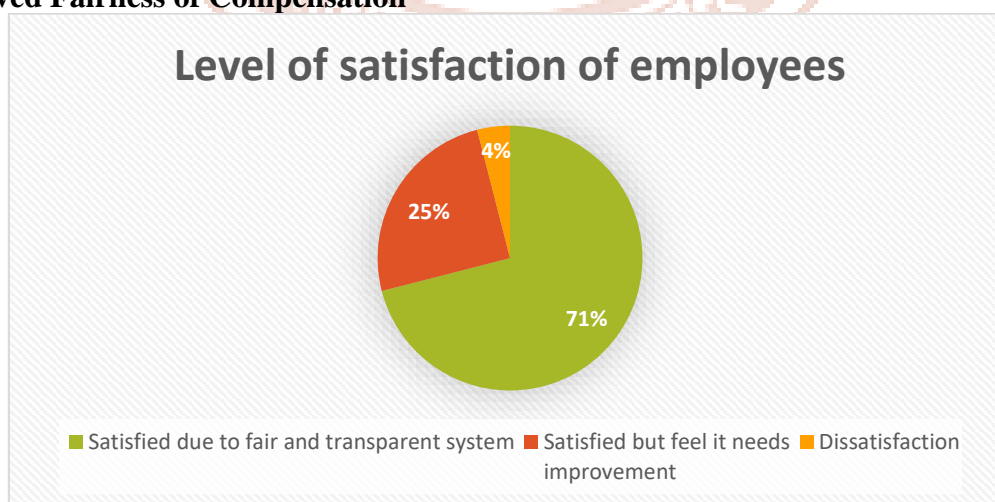
No	Characteristics	Classification	Total Respondents	Percentage
1	Age	Below 18 years	00	00%
		18 – 35 years	26	58%
		36 – 60 years	17	38%
		More than 60 years	01	02%
		Not Answered	01	02%
		<b>Total</b>	<b>45</b>	<b>100%</b>
2	Gender	Male	42	93%
		Female	02	05%
		Other	00	00%
		Not Answered	01	02%
		<b>Total</b>	<b>45</b>	<b>100</b>
3	Length of service in KRIBHCO	0 – 9 years	28	63%
		10 – 19 years	07	16%
		20 – 29 years	03	07%
		More than 30 years	06	14%
		Not Answered	01	02%
		<b>Total</b>	<b>45</b>	<b>100%</b>

4	Department	Production Department	02	04%
		Maintenance Department	00	00%
		Technical Department	09	20%
		HR Department	16	36%
		Commercial Department	07	16%
		Finance & Account Department	07	16%
		MIS Department	02	04%
		Vigilance Department	01	02%
		Not Answered	01	02%
		<b>Total</b>	<b>45</b>	<b>100%</b>
		5	Grade	Officers
Workman	20			44%
Not Answered	08			18%
<b>Total</b>	<b>45</b>			<b>100%</b>

#### Data Interpretation

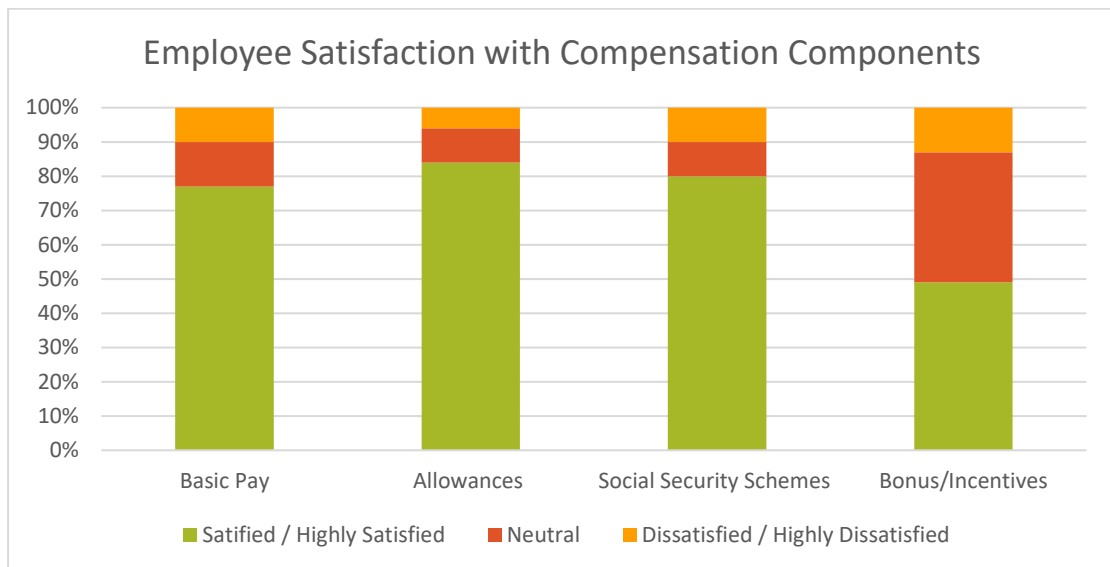
**Objective 1: To Evaluate Employee Perceptions Regarding the Fairness and Effectiveness of Their Compensation**

**Perceived Fairness of Compensation**



The findings indicate that employees at KRIBHCO generally perceive the compensation system as fair, transparent, and consistent, reflecting strong procedural and

distributive justice. Overall, 71% of respondents reported satisfaction with the compensation structure due to its fairness and transparency, while an additional 25% were satisfied but felt improvement was needed, mainly in incentive-related components.

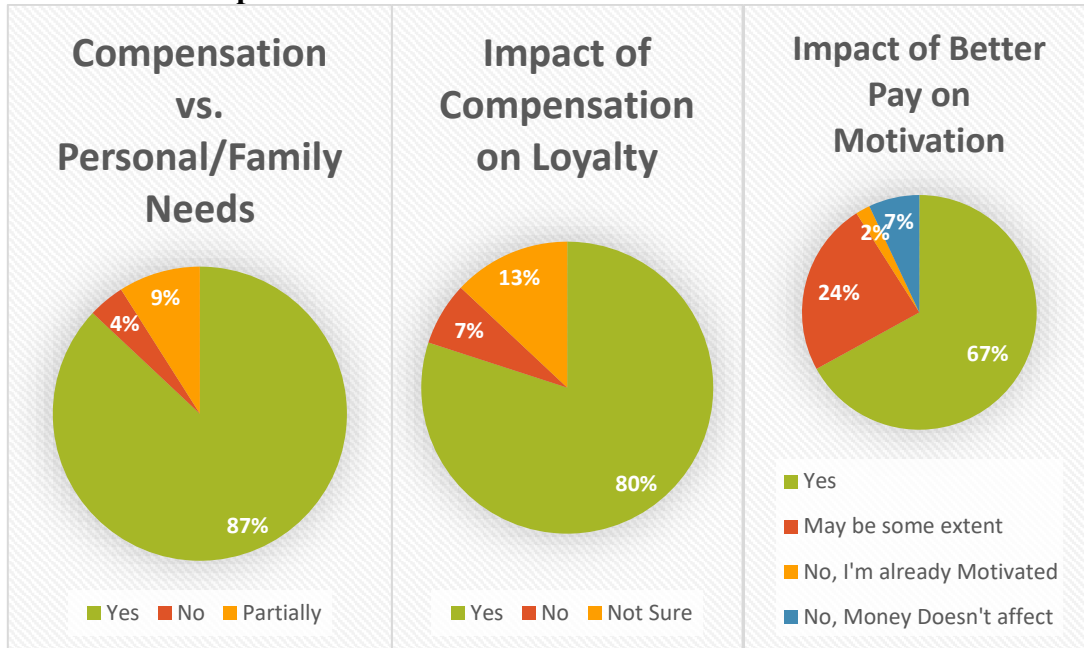


Component-wise analysis reveals that fairness perceptions are strongest for Basic Pay, Allowances, and Social Security Schemes. For instance, 77% of employees were either satisfied or highly satisfied with basic pay, and 84% expressed satisfaction with allowances, indicating that fixed pay components are perceived as equitable and aligned with public sector norms.

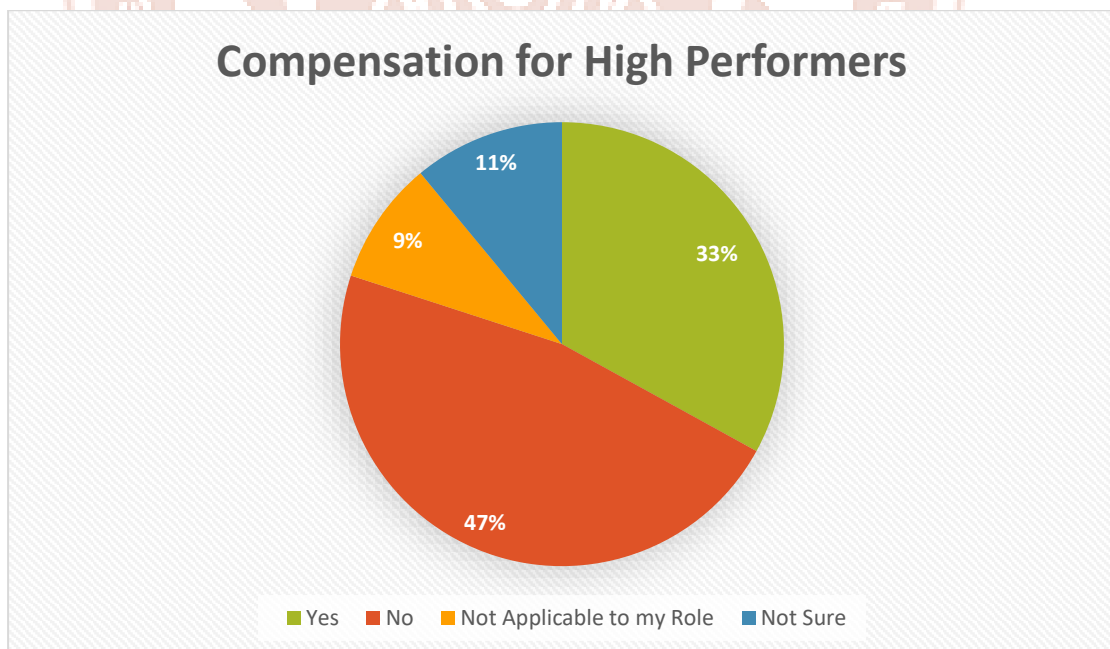
Similarly, social security benefits recorded 80% satisfaction, reinforcing trust in KRIBHCO’s compliance-driven and rule-based compensation design.

However, fairness perceptions weaken in relation to Bonuses and Incentives. Nearly 38% of respondents expressed neutral views, and 13% reported dissatisfaction, suggesting ambiguity or perceived inequity in performance-linked rewards. This points to a gap between effort and reward, particularly affecting perceptions of distributive fairness.

## Effectiveness of Compensation



From an effectiveness standpoint, compensation at KRIBHCO is effective in ensuring adequacy and stability, but moderately effective in driving performance excellence. While 87% of employees stated that compensation meets their personal and family needs, and 80% believed improved compensation would enhance loyalty, only 24% felt compensation directly motivates high performance.

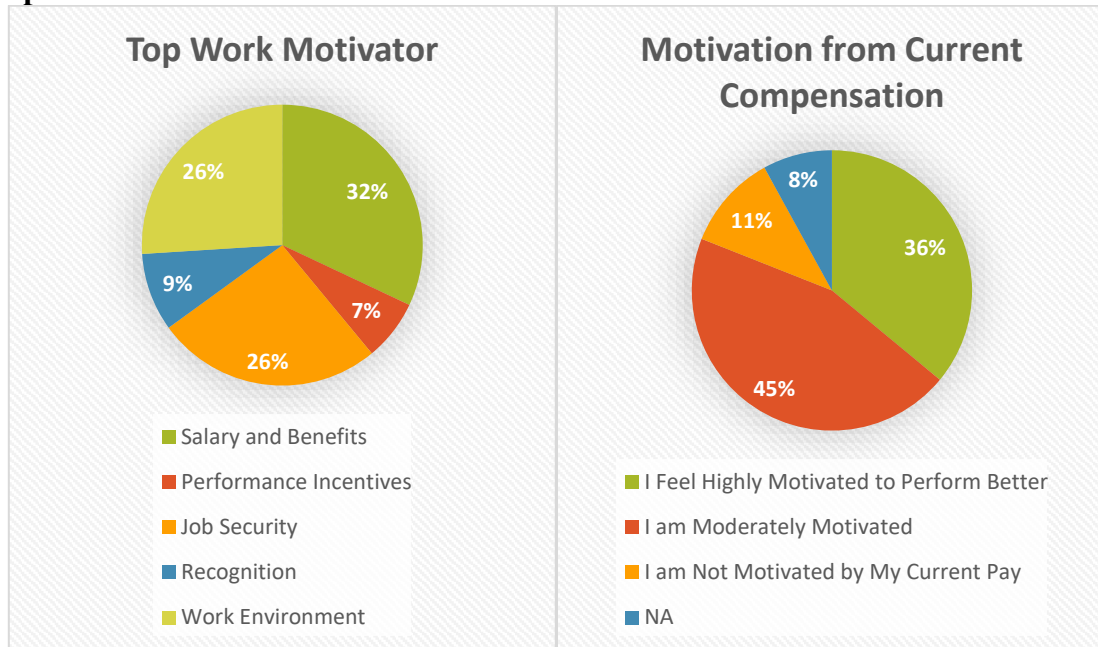


Furthermore, 47% of respondents believed that high performers are not rewarded differently, indicating a weak performance–reward linkage. This undermines the motivational effectiveness of compensation despite its perceived fairness. Hence, while fairness in structure

and administration is high, effectiveness in incentivizing superior performance remains limited, especially due to insufficient differentiation and transparency in incentive mechanisms.

**Objective 2: To analyse the compensation in relation to motivation, satisfaction, performance, and retention.**

**Compensation and Motivation**



Compensation is a significant but not exclusive motivator. While 32% of employees identified salary and benefits as their primary motivator, job security (26%) and work environment (26%) were equally influential.

Notably, 67% of respondents stated that improved compensation would significantly increase their motivation, confirming the latent motivational potential of pay if structured effectively.

However, under the current system, motivation remains moderate: 45% reported being moderately motivated, and 11% (all workmen) stated they are not motivated by current pay, reflecting the limited motivational impact of non-performance-linked compensation.

**Compensation and Satisfaction**

Compensation at KRIBHCO shows a positive influence on job satisfaction, as reflected by an overall mean satisfaction score of 3.83. Officers reported the highest satisfaction (Mean = 4.15), followed by Workmen (Mean = 3.68) and NA employees (Mean = 3.56), with no statistically significant difference among groups ( $p = 0.236$ ). High satisfaction levels were observed for basic pay, allowances, and social security schemes (about 76 – 78% satisfied or highly satisfied), indicating perceived fairness and adequacy. In contrast, bonuses and incentives recorded lower satisfaction, with only 38% satisfied and 38% neutral, limiting the

motivational impact of compensation. Overall, 72% of employees stated that compensation meets their personal and family needs, and 71% were satisfied due to fairness and transparency, confirming that compensation effectively sustains job satisfaction, though improvements in performance-linked rewards could further enhance it.

### Compensation and Performance

The link between compensation and performance is inconsistent. Only 33% of respondents perceived that high performers receive differentiated rewards, while a majority did not observe clear performance-based pay distinctions.

Despite this, when performance is appropriately rewarded, 72% of employees reported feeling motivated or proud, indicating that recognition monetary or otherwise has a strong positive behavioural impact.

### Compensation and Retention

Retention is influenced more by job stability (44%) and work culture (28%) than compensation alone. Nonetheless, compensation remains a critical retention lever: 82% of employees indicated that better compensation would increase loyalty, and 40% cited lack of reward for high performance as a key reason they might leave.

This suggests that compensation affects retention indirectly through perceptions of recognition and fairness rather than absolute pay levels.

**Objective 3: To examine the level of employee satisfaction among different categories of employees (Officers, Workmen, and NA) at KRIBHCO.**

Descriptive					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.761	2	1.381	1.497	0.236
Within Groups	38.739	42	0.922		
Total	41.500	44			

The examination of employee satisfaction among different categories at KRIBHCO indicates that satisfaction levels are moderate to high across all groups. Officers reported the highest level of satisfaction with compensation (Mean = 4.15), followed by Workmen (Mean = 3.68) and NA employees (Mean = 3.56). Despite these numerical differences, a one-way ANOVA test showed no statistically significant variation in satisfaction among the three categories (F = 1.497, p = 0.236). The overall mean satisfaction score of 3.83 suggests that

employees, irrespective of category, are generally satisfied with the compensation system. This reflects consistency, fairness, and uniformity in KRIBHCO's compensation practices across different employee groups.

### **Major Findings of the Study**

The study found that employees at KRIBHCO are generally satisfied with the existing compensation structure, with an overall mean satisfaction score of 3.83, indicating moderate to high satisfaction.

Basic pay, allowances, and social security schemes emerged as the strongest contributors to job satisfaction, with 76–78% of employees reporting satisfaction or high satisfaction with these components.

Satisfaction with bonus and incentive schemes was comparatively lower, as only 38% of employees were satisfied, while an equal proportion (38%) expressed neutral views, indicating limited motivational impact.

A majority of employees (72%) reported that compensation adequately meets their personal and family needs, highlighting the role of compensation in providing financial security.

71% of respondents were satisfied with the compensation structure due to its fairness and transparency, reinforcing positive perceptions of equity and procedural justice.

Compensation showed a moderate relationship with motivation. While 36% felt highly motivated, 45% were only moderately motivated, and 11% (mainly workmen) reported not being motivated by current pay.

Improved compensation was perceived as a strong motivator, with 67% of employees stating that better pay would significantly increase motivation.

The relationship between compensation and performance was weak, as 47% of employees felt that high performers are not rewarded differently, indicating inadequate performance-based differentiation.

Job stability and work culture were the primary retention factors (44% and 28% respectively), while compensation played a supporting role in retention decisions.

82% of respondents stated that improved compensation would enhance their loyalty towards KRIBHCO.

Officers reported the highest satisfaction (Mean = 4.15), followed by Workmen (Mean = 3.68) and NA employees (Mean = 3.56); however, ANOVA results ( $p = 0.236$ ) confirmed that these differences were not statistically significant.

## **Suggestions and Recommendations**

KRIBHCO should strengthen performance-linked incentive mechanisms to ensure visible differentiation between average and high performers.

Greater transparency and communication regarding bonus and incentive calculations should be introduced to enhance trust and perceived fairness.

Periodic review of incentive structures should be undertaken to align rewards with employee effort, contribution, and organizational goals.

Introducing non-monetary recognition programs (certificates, appreciation awards, public recognition) may complement monetary compensation and improve motivation.

Career progression and faster promotion opportunities, especially for Workmen and NA employees, should be emphasized to improve long-term satisfaction.

Enhanced post-retirement benefits and pension awareness programs may further increase satisfaction and retention, particularly among senior employees.

Regular employee feedback surveys should be conducted to monitor changing expectations regarding compensation and rewards.

### **Implications of the Study**

The findings of this study have important implications for management practices, human resource policies, and future research, particularly in the context of public sector organizations such as KRIBHCO.

Although the compensation system is perceived as fair and stable, its motivational impact is limited due to the weak linkage between performance and rewards. Managers should therefore adopt performance-based reward systems and use compensation as a strategic tool to enhance employee motivation, engagement, and productivity.

HR departments should focus on developing transparent and performance-linked incentive systems that align employee contributions with organizational goals. Periodic review of compensation policies based on employee feedback and industry benchmarks is also necessary to ensure fairness and competitiveness.

The study indicates that employees are motivated not only by financial rewards but also by recognition, fairness, and career growth opportunities. Integrating compensation with recognition and development programs can improve employee satisfaction, commitment, and retention.

While employees perceive general equity in the pay structure, concerns remain regarding fairness in performance rewards. Transparent evaluation systems and equitable reward distribution can strengthen trust and improve organizational effectiveness.

Public sector undertakings can enhance employee motivation by introducing flexible and performance-oriented incentive mechanisms while maintaining transparency and regulatory compliance.

The study contributes to the literature on compensation management in public sector organizations and provides a foundation for future comparative research across sectors and regions.

## Conclusion

The study concludes that KRIBHCO's compensation system is fair, transparent, and effective in maintaining job satisfaction and employee stability. Employees across all categories generally perceive compensation as adequate and equitable, particularly with respect to basic pay, allowances, and social security benefits. However, the system is less effective as a motivational and performance-enhancing tool, primarily due to limited performance-based rewards and modest incentive differentiation. While compensation contributes positively to employee loyalty, factors such as job security and work culture play a more dominant role in retention. Overall, the compensation framework successfully supports organizational stability, but its effectiveness can be significantly enhanced through stronger performance-linked incentives, recognition mechanisms, and career growth opportunities.

## References

- Kamla-Raj. (2014). *Compensation management and employee job satisfaction: A case of Nigeria*. Kamla-Raj Enterprises. <https://surl.li/hdxezv>
- Pratiwi, A. (2021). The effect of compensation and job satisfaction on employee performance. *Bongaya Journal of Research in Management*, 4(2), 45–52. <https://ojs.stiem-bongaya.ac.id/BJRM/article/view/261/221>
- Inda, S. S., & Mishra, S. (2016). A study on influence of employee compensation, job satisfaction, and working environment on employee retention. *International Journal of Advanced Research*, 4(8), 194–199. <https://www.researchgate.net/profile/Shyam-Inda/publication/308792503>
- Rosalia, P. D., Mintarti, S., & Heksarini, A. (2020). The effect of compensation and motivation on job satisfaction and employee performance at SMK Medika Samarinda. *Saudi Journal of Business and Management Studies*, 5(7), 448–454. [https://saudijournals.com/media/articles/SJBMS\\_57\\_448-454\\_c.pdf](https://saudijournals.com/media/articles/SJBMS_57_448-454_c.pdf)