



# A Study On The Impact Of Compensation On Employee Retention

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**ABSTRACT:** Employee retention is a crucial concern for organizations striving to maintain a skilled and committed workforce. Among the various factors influencing retention, compensation remains one of the most significant determinants of employee satisfaction and loyalty. This study, titled "a study on the impact of compensation on employee retention at tvs training and services ltd.", aims to examine how different components of compensation—monetary and non-monetary—affect employees' decisions to stay within the organization. The research is based on primary data collected through structured questionnaires administered to employees across various job levels at tvs training and services ltd. Normality test was conducted and it was found that the data does follow normal distribution, therefore non-parametric test was conducted. Non-parametric test was conducted using (H-test, Spearman's rank correlation). It explores the employees' awareness and perception of compensation, evaluates the satisfaction level with current pay and benefits, and analyzes the effectiveness of existing retention strategies. The study also identifies the most valued compensation and benefit components, as ranked by the respondents. Findings from the study indicate that while salary plays a major role in retention, non-monetary benefits such as career growth opportunities, recognition, and work-life balance also significantly contribute to employee engagement. The research concludes with suggestions for enhancing compensation strategies to improve retention rates and overall organizational performance. The population for this study is 300. The number of samples taken for the study is 170.

**Keywords:** Employee retention, compensation, monetary benefits, non-monetary benefits

## INTRODUCTION

In moment's largely competitive business terrain, associations are continuously seeking to attract, develop, and retain talented workers to insure long- term growth and sustainability. Among the numerous mortal resource challenges that companies face, hand retention stands out as a critical issue. High hand development not only leads to increased reclamation and training costs but also disrupts productivity, affects platoon morale, and results in the loss of precious knowledge and chops. In this environment, compensation has surfaced as one of the most influential factors impacting hand retention. Compensation is further than just a stipend it includes a wide array of fiscal and non- fiscal prices handed to workers in exchange for their work. These may include base payment, lagniappes, impulses, benefits similar as health insurance, withdrawal plans, allowances, and non-monetary prices like recognition, job security, career advancement openings, and work-life balance. A well- structured compensation strategy not only motivates workers to perform better but also fosters a sense of fidelity and belongingness, which in turn enhances retention rates. TVS Training and

Services Ltd., a part of the reputed TVS Group, plays a vital part in furnishing training and skill development across colorful sectors. As a service- acquainted company concentrated on mortal capital development, TVS Training and Services is particularly invested in maintaining a stable and motivated pool. Understanding the impact of compensation on hand retention within such an association is essential to formulating effective HR programs that align with both hand prospects and organizational pretensions. This study," A Study on the Impact of Compensation on Employee Retention at TVS Training and Services Ltd.", aims to dissect the relationship between compensation and retention by exploring how workers perceive their compensation packages and how these comprehensions impact their decision to stay with the company. The exploration will claw into colorful confines of compensation, including mindfulness, satisfaction situations, preferences, and the relative significance of different factors of pay and benefits. Furthermore, the study will also assess the effectiveness of the company's current retention strategies and identify areas for improvement. By collecting and analyzing data from employees at different levels and with varying years of experience, the study seeks to provide actionable insights that can guide the organization in enhancing its compensation policies to retain top talent more effectively. In a time where employee expectations are evolving and the competition for skilled professionals is intense, this research is not only timely but also valuable for HR practitioners, managers, and decision-makers at TVS Training and Services Ltd. The ultimate goal is to recommend compensation strategies that are fair, motivating, and aligned with the company's vision, thus contributing to a more committed and high- performing workforce.

### OBJECTIVES OF THE STUDY

- To analyse the relationship between compensation and employee retention at TVS Training & Services Ltd.
- To assess the effectiveness of the current compensation and benefits package in retaining employees that includes both monetary and non-monetary compensation.
- To analyse the role of different allowances in influencing employee retention.
- To identify the preference of employees about retention strategies at TVS Training & Services Ltd.

### NEED OF THE STUDY

- The need of this study is to analysis how effective compensation of TVS Training & Services ltd, helps in retaining employees and make them motivated without any unsatisfaction of their job.
- Compensation and benefits play a crucial role in employee satisfaction, motivation, and retention.
- This study provides organizations with a deeper understanding of how compensation and benefits impact employee motivation and retention.

### LITERATURE REVIEW

**Ampong, I. (2024).** This study examines the impact of employee rewards policies on organizational performance, emphasizing the role of compensation and employee welfare in shaping behavior and motivation. Using a descriptive research approach with both qualitative and quantitative data, the study sampled 30 respondents through stratified random sampling. The findings highlight that an effective compensation and welfare system is crucial for acquiring and retaining a skilled workforce, ultimately enhancing organizational performance. The study recommends implementing equitable compensation policies and positive management techniques to boost employee motivation and productivity.

**Yee, M. W. (2024).** This study examines the relationship between compensation practices, job satisfaction, and employee retention at CB Bank PCL. Using structured questionnaires, data were collected from 170 middle and lower-level employees through simple random sampling in May 2024. The findings reveal that both types of compensation significantly enhance job satisfaction, which, in turn, positively influences employee retention. The study recommends implementing financial incentives like stock options and gratuity bonuses, along with non-financial benefits such as work-life balance initiatives, to improve job satisfaction and retention.

**Mahato, S., & Kaur, J. (2023).** This study explores the impact of financial and non-financial compensation on employee productivity. While some employees find their salaries sufficient, there is no clear consensus on whether salaries reflect skills, competence, and output. Indirect financial benefits like health insurance and

paid leave positively influence productivity, but personal needs such as childcare services and partner benefits are not addressed. A balanced mix of financial and non-financial rewards is recommended, along with employee involvement in designing a total reward strategy to ensure acceptance and commitment.

**Watkins, R., & Fusch, P. (2022).** This study examines the relationship between monetary compensation and employee job satisfaction using the Minnesota Satisfaction Questionnaire. Findings indicate a statistically significant positive correlation, suggesting that higher pay leads to greater job satisfaction, better performance, higher retention, improved punctuality, and fewer complaints. The study contributes to existing theories on work adjustment and self-determination, encouraging further research into factors influencing employee satisfaction and motivation.

## RESEARCH METHODOLOGY

This study adopts a Descriptive Research Design using Simple Random Sampling technique. A sample of 170 employees was selected based on the Krejcie and Morgan table.

### Data Sources:

Primary data: Collected by circulating the questionnaire through email using google form.

Secondary data: Sourced from articles, journals and magazines.

### Tools Used:

Normality: Normality test was conducted using SPSS and it indicates non-normal distribution i.e., ( $P < 0.05$ ).

Statistical Tools: Kruskal-Wallis H test and Spearman's Rank correlation.

**Software Used:** Google sheet and SPSS 16.

## DATA ANALYSIS AND INTERPRETATION

### Demographics data

Categories	Sub categories	No. of respondents	Percentage (%)
Age	Below 25	70	41.2
	25-35	52	30.6
	35-45	32	18.8
	Above 45	16	9.4
Gender	Male	82	48.2
	Female	88	51.8
Experience	Less than 1	56	32.9
	1-3	48	28.2
	4-5	32	18.8
	More than 5	34	20
Current job level	Entry Level	49	28.8

	Lower Level	51	30
	Senior Level	42	24.7
	Managerial Level	28	16.5
<b>Total</b>	<b>All categories</b>	<b>170</b>	<b>100</b>

Table 1: Demographic data of the respondents

**Findings:**

From the above table, it was found that 41.2% of the respondents are below 25, 30.6 % of the respondents are between the age group of 25 to 35, 18.8% of the respondents are between the age group of 35 to 45, and 9.4% of the respondents are above 45. From the above table, it was found that 48.2 % of the respondents are Male and 51.8% are Female. From the above table, it was found that 32.9% of the respondents have experience of Less than 1, 28.2% of the respondents have experience of 1-3, 18.8% of the respondents have experience of 4-5 and 20% of the respondents have experience of More than 5. From the above table, it was found that 28.8% of the respondents are at Entry level, 30% of the respondents are at Lower level, 24.7% of the respondents are at Senior level, 16.5% of the respondents are at Managerial level.

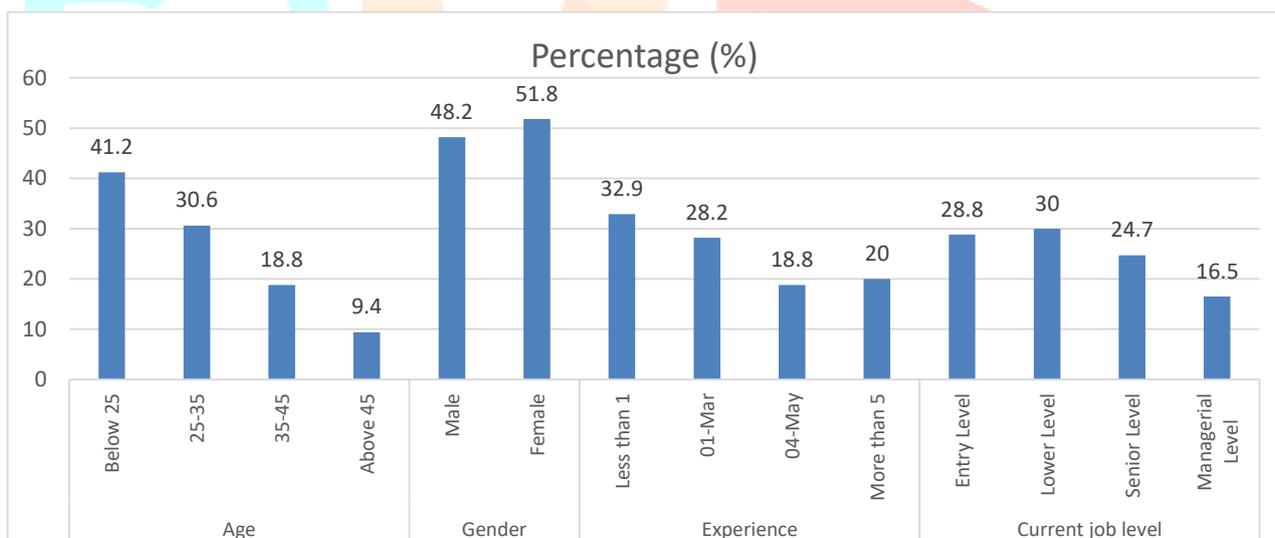


Figure 1: Demographic data of the respondents

**Inference:**

The majority of the population are below 25 (41.2%), The majority of the respondents are female (51.8%), The majority of the respondents have experience of Less than 1 (32.9%), The majority of the respondents are at Lower level (30%).

**KRUSKAL WALLIS H TEST**

$H_0$ : There is no significant difference between mean ranks of categories of Age group with respect to Effectiveness of current compensation and benefits package, Role of different allowance, Employees preference on retention strategies.

$H_1$ : There is significant difference between mean ranks of categories of Age group with respect to Effectiveness of current compensation and benefits package, Role of different allowance, Employees preference on retention strategies.

### Test Statistics

	Effectiveness of current compensation and benefits package	Role of different allowance	Employees preference on retention strategies
Chi-Square	3.117	5.917	.915
df	3	3	3
Asymp. Sig.	.374	.116	.822

a. Kruskal Wallis Test

b. Grouping Variable: Age

Table 2: Kruskal Wallis H test

### Inference:

The p value > 0.05, hence the null hypothesis is accepted. There is no significant difference between mean ranks of categories of Age group with respect to Effectiveness of current compensation and benefits package, Role of different allowance, Employees preference on retention strategies.

### SPEARMAN'S RANK CORRELATION

#### Correlations

		Effectiveness of current compensation and benefits package	Role of different allowance	Employees preference on retention strategies
Spearman's rho	Effectiveness of current compensation and benefits package	Correlation Coefficient	1.000	.547**
		Sig. (2-tailed)	.	.000
		N	170	170
Role of different allowance		Correlation Coefficient	.547**	1.000
		Sig. (2-tailed)	.000	.
		N	170	170
Employees preference on retention strategies		Correlation Coefficient	.100	.175*
		Sig. (2-tailed)	.196	.023
		N	170	170

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Table 3: Spearman's Rank Correlation

### Inference:

1. There is a strong and significant positive correlation between: Effectiveness of current compensation and benefits package and the role of different allowances ( $\rho = 0.547$ ,  $p < 0.01$ ).
2. There is a weak but significant positive correlation between: Role of different allowances and preference on retention strategies ( $\rho = 0.175$ ,  $p < 0.05$ ).
3. There is no significant correlation between: Effectiveness of compensation and preference on retention strategies ( $\rho = 0.100$ ,  $p = 0.196$ ).

## SUMMARY OF FINDINGS

The largest age group of respondents is below 25 years (41.2%). A slight majority of respondents are female (51.8%). The most common level of experience is less than 1 year (32.9%). The most frequent job level among respondents is Lower Level (30%). The p value > 0.05, hence the null hypothesis is accepted. There is no significant difference between mean ranks of categories of Age group with respect to Effectiveness of current compensation and benefits package, Role of different allowance, Employees preference on retention strategies. A strong positive correlation exists between the effectiveness of the compensation/benefits package and the role of different allowances.

## SUGGESTIONS

The study demonstrates that “A Study on the Impact of Compensation on Employee Retention,” several suggestions can be made to enhance employee retention through strategic compensation practices. Firstly, organizations should implement comprehensive compensation packages that go beyond base salary to include attractive allowances such as housing rent, transport, medical, and food, as these were found to be strongly correlated with employees' perception of compensation effectiveness. Strengthening allowance structures is essential, especially in areas where dissatisfaction was noted, such as meal and travel allowances. Interestingly, the study revealed no significant differences in compensation perceptions across gender and age groups, suggesting that uniform compensation policies can be applied across the workforce without compromising fairness. However, while compensation plays a role in retention, salary alone is not a strong predictor of employee retention preferences. Therefore, it is important to complement monetary rewards with non-financial elements such as career growth opportunities, job security, and recognition programs to support a holistic retention strategy. Additionally, although job level did not significantly influence retention factors statistically, it is recommended that qualitative tools like interviews or focus groups be used to capture deeper insights into job-level expectations. Since the data deviated from normal distribution, non-parametric tools such as Mann-Whitney U and Kruskal-Wallis tests should be used for future analyses in similar HR studies. Finally, promoting employee awareness of compensation components through clear communication materials, and benchmarking the organization's compensation structure against industry standards, can further improve employee satisfaction and retention.

## CONCLUSION

The study on the impact of compensation on employee retention clearly highlights that a well-structured and transparent compensation system plays a significant role in retaining employees. While monetary benefits such as salary and allowances are crucial, they alone do not guarantee employee loyalty. The findings emphasize the importance of integrating both financial and non-financial components—such as career growth, job security, and recognition programs—into the total rewards strategy. The absence of significant differences across gender, age, and job level indicates that a uniform compensation framework can be effective, though deeper qualitative insights may still uncover specific needs. Moreover, the strong correlation between allowances and compensation effectiveness shows that enhancing benefit structures can positively influence retention. In conclusion, for organizations to improve employee satisfaction and reduce turnover, they must adopt a balanced, inclusive, and data-driven approach to compensation management, supported by ongoing evaluation and communication.

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