



EFFECT OF COMPENSATION MANAGEMENT ON EMPLOYEE PERFORMANCE: A CASE STUDY ON PRIME PRESSURE VALVES AND PUMPS PVT LTD

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Abstract - This study has been enriched in “**PRIME PRESSURE VALVES AND PUMPS PVT LTD**” focus on compensation management and employee performance. Compensation management is an essential function of human resource management as it helps organizations attract, motivate, and retain skilled employees. The study examines important factors such as salary, incentives, allowances, benefits, fairness in pay structure, communication of compensation policies, and overall employee satisfaction. The study underscores that compensation management is not only about paying employees but also about creating a motivating and supportive work environment. By maintaining fairness, transparency, and performance-oriented reward systems, the organization can enhance employee satisfaction, attract better talent, improve performance, and achieve long-term organizational success.

Keywords: Salary Benefits & Satisfaction, Compensation and Employee motivation, Policies and Practices, Improvement and Future Strategies.

INTRODUCTION

Compensation management as it is known today has been a very important source of attracting, Retaining and motivating the required human resource for any organization. Although most employees specially at middle and senior levels claim that money does not play a very important role in their decision to change or to stay in an organization but in reality, it is the money which motivate most of the employees. The employees work for rewards and the employers seek higher productivity to keep cost per employee low. A balance is to be struck between these two parties – employer and employee about compensation. The compensation should be designed in such a fashion that the organization is able to attract, motivate, and retain competent employees and at the same time the employees perceive it fair and equitable. Compensation Management is concerned with the compensation to employees for their work and contribution for attaining organizational goals.

LITERATURE REVIEW:

A proper mix of salary, incentives, and benefits improves employee satisfaction. Workers feel motivated when rewards are fair and adequate. Balanced compensation reduces turnover and absenteeism (Arun 2025). Competitive wages attract talented and skilled employees. Benchmarking also improves employee retention levels. Hence, it strengthens employer reputation and market position (David 2025).

Complaints and disputes decrease in organizations. Morale improves through fairness and respect. Therefore, fair compensation supports harmony (Verma 2022). Employees work harder to earn incentives. Productivity rises steadily across departments. Firms achieve better business results. Hence, performance rewards improve market position (Singh 2022).

Attractive pay helps recruit talented employees. Better packages increase commitment levels. Workers compare salaries with market standards. It improves employee retention (Snell 2019). Workers expect fairness in pay decisions. Hidden systems create dissatisfaction. Clear communication improves morale. It builds healthy relations (Rao 2018).

INDUSTRY PROFILE

The valves and pumps industry is an important part of the engineering and manufacturing sector. Valves and pumps are essential mechanical equipment used for controlling, regulating, and transporting liquids and gases in industrial systems. This industry supports a wide range of sectors such as manufacturing, power generation, construction, water supply, chemical processing, and other process-based industries. The industry consists of large, medium, and small-scale manufacturers who cater to different industrial requirements. In India, the industry has experienced steady growth due to increasing industrialization and infrastructure development. The valves and pumps industry consists of a mix of large-scale manufacturers, medium-sized companies, and small-scale industrial units. Large and well-established players usually



focus on high-capacity, specialized, and technologically advanced valves and pumps, catering to major industries such as power plants, oil and gas, and large infrastructure projects. Medium-scale manufacturers supply standard industrial products to a wider range of customers, balancing quality and cost. Small-scale manufacturers mainly cater to local and regional markets by offering customized products, faster delivery, and competitive pricing.

COMPANY PROFILE

Prime Pressure Valves and Pumps Pvt. Ltd. is a private limited company established in the year 2025, engaged in the field of industrial manufacturing and engineering. The company is headquartered in Chennai, Tamil Nadu, which is one of the major industrial hubs in India. This location provides advantages such as availability of skilled manpower, strong infrastructure, and access to domestic and international markets.

The company specializes in the design, manufacturing, and supply of industrial valves, pumps, and fluid control systems. These products are essential in regulating the flow and pressure of liquids and gases in industrial operations. The company's product range includes gate valves, globe valves, ball valves, butterfly valves, centrifugal pumps, submersible pumps, and other related equipment. These products are widely used in industries such as oil and gas, water treatment, power generation, and chemical processing.

Prime Pressure Valves and Pumps Pvt. Ltd. focus on quality and reliability by using high grade raw materials like stainless steel, cast iron, and carbon steel. The manufacturing process involves several stages including design, material selection, machining, assembly, testing, and final delivery. Each stage is carefully monitored to ensure that the products meet industry standards and customer expectations.

OBJECTIVES OF THE STUDY

- To examine the employee satisfaction with the existing communication – system.
- To explore relationship between compensation management and improved productivity.
- To examine the effectiveness of existing compensation policies and practices followed by the organization.
- To suggest measures for improving the compensation management system.

NEED OF THE STUDY

Compensation management plays a vital role in improving employee motivation, satisfaction, and overall performance in an organization. Employees expect fair and adequate compensation for the work they perform, which directly influences their commitment and productivity. A well-designed compensation system helps organizations attract skilled employees and retain them for a longer period. When employees receive proper rewards through salaries, incentives, bonuses, and other benefits, they tend to perform better. Effective compensation policies create a positive work environment and support organizational success.

SCOPE OF THE STUDY

The scope of this study is to analyse the effect of compensation management on employee performance within the organization. It focuses on how salary, incentives, bonuses, allowances, and other benefits influence employees. The study examines the impact of compensation on employee motivation, job satisfaction, and productivity. It helps to understand whether employees perform better when they receive fair rewards. It also analyses employees' perceptions and opinions regarding the fairness and effectiveness of the existing compensation system. Feedback from employees helps identify areas where the system can be improved.

RESEARCH METHODOLOGY

This study examines the descriptive research design for compensation management of employee management within the organization. The methodology was structured to provide a random selecting approach to data collection and analysing, ensuring that the findings are relevant and reliable.

SAMPLE DESIGN

The study was conducted at "Prime Pressure Valves and Pumps Pvt Ltd" in Chennai. The total workforce at this company is 300 (POPULATION SIZE), which formed the population for this research. A total of 155 respondents were selected for the survey. Every unit of the population in the sample has an equal probability of being included when using simple random sampling. This methodology is frequently called a method of chance because the entire selection of objects is dependent on chance or probability. We refer to this technique as "simple random sampling." It is a sample approach that uses a fair sampling mechanism.

The Descriptive Research Design is the research methodology which has been used in this study. The project has opted to collect data through questionnaires.

DATA ANALYSIS:

The data collected through the questionnaires was analyzed using a combination of statistical techniques to provide the comprehensive understanding of the compensation management of employee performance at Prime Pressure Valves and Pumps Pvt Ltd.

- Regression Analysis
- Correlation Analysis
- Chi-square Analysis

ANALYSIS 1: REGRESSION BETWEEN GENDER AND BENEFITS SATISFACTION

NULL HYPOTHESIS (H0):

There is no significant linear relationship between Gender and Benefits satisfaction.

ALTERNATIVE HYPOTHESIS (H1):

There is a significant interrelation between Gender and the Benefits satisfaction.

STATISTICAL TEST:

Regression is used in the above hypothesis

Table showing Regression analysis

REGRESSION:

Variables Entered/Removed			
Model	Variables Entered	Variables Removed	Method
1	benefits satisfaction	.	Enter

- a. Dependent Variable: Gender
- b. All requested variables entered.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.018 ^a	.000	-.006	.373

a. Predictors: (Constant), benefits satisfaction

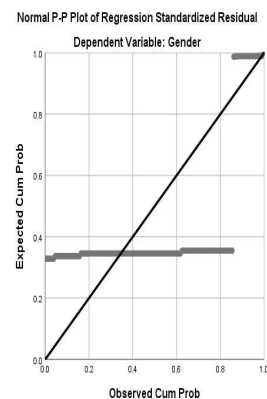
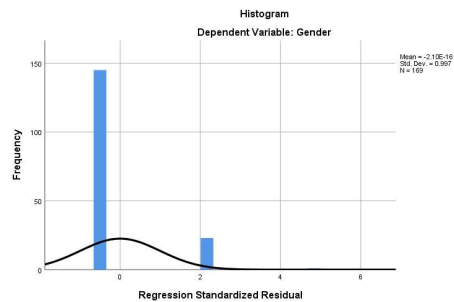
b. Dependent Variable: Gender

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.008	1	.008	.057	.812 ^b
	Residual	23.294	167	.139		
	Total	23.302	168			

a. Dependent Variable: Gender

b. Predictors: (Constant), benefits satisfaction

CHARTS:



INTERPRETATION:

The above table shows $P=0.812 \leq 0.05$. Hence, we accept the null hypothesis and reject the alternative hypothesis. Hence, there is no significant linear relationship between Gender and Benefits satisfaction.

RESULT:

There is no relationship between Gender and Benefits satisfaction.

ANALYSIS 2: CORRELATION BETWEEN THE FINANCIAL RECORD MOTIVATES EMPLOYEE TO BE RESPONSIBLE AND PAYMENT RECORDS INCREASES PROMOTION AMONG EMPLOYEES

NULL HYPOTHESIS (HO):

There is no significant interrelationship between the financial record motivates employee to be responsible and payment records increases promotion among employees

ALTERNATIVE HYPOTHESIS (H1):

There is a significant interrelationship between the financial record motivates employee to be responsible and payment records increases promotion among employees.

STATISTICAL TEST:

Correlation is used in the above hypothesis

Table showing correlation analysis

Descriptive Statistics			
	Mean	Std.Deviation	N
Financial records	2.09	1.063	169
promotion	2.08	1.002	169

Correlations			
		responsibility motivation	promotion fairness
Financial records	Pearson Correlation	1	.440**
	Sig. (2-tailed)		.000

	N	169	169
promotion	Pearson Correlation	.440**	1
	Sig. (2-tailed)	.000	
	N	169	169

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

INTERPRETATION:

The above table show that $r = 0.440$, positive correlation. Hence, we reject the null hypothesis and accept the alternative hypothesis. Hence, there may be a significant interrelationship between financial record motivates employee to be responsible and payment records increases promotion among employees.

RESULT:

There is a positive relationship between the financial record motivates employee to be responsible and payment records increases promotion among employees.

ANALYSIS 3: CHI-SQUARE BETWEEN SALARY AND PERFORMANCE PAY IMPACT

NULL HYPOTHESIS (HO):

There may be no significant association between Salary and Performance pay impact.

ALTERNATIVE HYPOTHESIS (H1):

There may be a significant association between salary and performance pay impact.

STATISTICAL TEST:

Chi - square is used in the above hypothesis

Table showing chi-square analysis

CHI-SQUARE:

Salary			
	Observed N	Expected N	Residual
1	5	33.8	-28.8
2	13	33.8	-20.8

3	87	33.8	53.2
4	31	33.8	-2.8
5	33	33.8	-.8
Total	169		

Performance pay impact			
	Observed N	Expected N	Residual
1	54	33.8	20.2
2	70	33.8	36.2
3	34	33.8	.2
4	10	33.8	-23.8
5	1	33.8	-32.8
Total	169		

Test Statistics		
	Salary	performance pay impact
Chi-Square	121.325 ^a	99.432 ^a
df	4	4
Asymp. Sig.	.000	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.8.

INTERPRETATION:

The above table shows $p \leq 0.05$ for salary and $p=000$ for performance pay impact which is less than .001, hence null hypothesis is rejected, and alternative hypothesis is accepted. Hence it concluded that there is associated between salary and their performance pay impact in the study.

RESULT:

There may be an association between Salary and Performance pay impact.

FINDINGS

The study reveals several key findings regarding the effect of compensation management on employee performance at prime pressure valves and pumps Pvt ltd.

Demographic

It is found out that majority of respondents are between the 25–35 years of age (50.3%), 89% are male, 59.4% are unmarried, 38.7% of the respondents are Under Graduate and, 51% of the respondents belong to the Production department, 42.6% are 1–5 years of experience. The 52.9% of the respondents earn ₹15,000–₹20,000 as salary.

COMPENSATION MANAGEMENT AND EMPLOYEE PERFORMANCE:

- Most of the respondents, 63.2% of the respondents agree that the organization provides adequate allowances and benefits.
- Maximum number of the respondents, 44.5% of the respondents are neutral that compensation is appropriate for their job position.
- Majority of the respondents, 42.6% of the respondents agree that benefits meet employee expectations.
- Maximum number of the respondents, 53.5% of the respondents agree that the current compensation system motivates better performance.
- Most of the respondents, 38.7% of the respondents are neutral that better compensation motivates employees to work efficiently.
- Maximum number of the respondents, 41.3% of the respondents agree that performance-based pay increases productivity.
- Out of the total number of the respondents, 49.7% of the respondents agree that adequate compensation improves commitment to the organization.
- Maximum number of the respondents, 36.8% of the respondents agree that good compensation policies increase employee performance.
- Majority of the respondents, 39.4% of the respondents agree that financial rewards encourage responsibility.
- Out of the total number of the respondents, 43.9% of the respondents agree that compensation policies are clearly communicated.
- Most of the respondents, 37.4% of the respondents agree that the organization follows a structured salary system.



- Maximum number of the respondents, 38.1% of the respondents agree that employees receive fair pay increases during promotions.
- Majority of the respondents, 48.4% of the respondents agree that compensation policies help retain talented employees.
- Out of the total number of the respondents, 43.2% of the respondents agree that the compensation system supports employee satisfaction.
- Maximum number of the respondents, 54.2% of the respondents of the respondents felt that performance appraisal.

CONCLUSION

The study on compensation management at Prime Pressure Valves and Pumps Pvt Ltd clearly indicates that compensation plays a vital role in influencing employee performance, satisfaction, and overall organizational effectiveness. The findings reveal that a majority of employees are generally satisfied with the existing compensation system, particularly in terms of benefits and incentives. The statistical analysis further supports the importance of compensation management. The correlation results show a positive relationship between responsibility motivation and promotion fairness, indicating that fair promotional practices enhance employee motivation. The chi-square test confirms that salary has a significant association with performance pay impact, proving that better pay structures can improve employee performance. However, the regression analysis indicates that gender does not significantly influence benefits satisfaction, suggesting equality in benefit distribution. The study also concludes that effective communication of compensation policies is essential. Employees must clearly understand how their salary, incentives, and benefits are structured. Lack of communication can lead to dissatisfaction and misunderstanding among employees.

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