

A Study on Compensation Management and Job Satisfaction Among Employees in Small-Scale Industries in Malappuram District

DR. JAISHREE.T

Assistant Professor & Research Guide

TERF'S Academy College of Arts and Science, Kovilpalayampudur Tamil Nadu

IRSHAD P

Research Scholar

TERF'S Academy College of Arts and Science, Kovilpalayampudur Tamil Nadu

Abstract: The present study examines the relationship between compensation management and job satisfaction among employees working in small-scale industries in Malappuram district. Compensation management plays a crucial role in influencing employee attitudes, motivation, and organizational performance. This study focuses on five dimensions of compensation management such as Base Pay Adequacy, Incentives and Bonuses, Benefits, Pay Fairness, and Promotion and Pay Growth Opportunities and analyses their impact on employees' job satisfaction. A descriptive research design was adopted for the study. Primary data were collected from 132 employees working in registered small-scale industries using a structured questionnaire. Convenience sampling technique was employed to select respondents. The findings revealed that employees perceive compensation management practices at a moderate level, and overall job satisfaction is also at a moderate level. The results of multiple regression analysis indicate that all five dimensions of compensation management have a positive and statistically significant impact on job satisfaction. The study concluded that fair and structured compensation practices significantly enhance job satisfaction and can contribute to improved employee retention and organizational effectiveness in small-scale industries.

Keywords: *Base Pay Adequacy, Compensation Management, Employee Benefits, Incentives and Bonuses, Job Satisfaction.*

Introduction:

The small-scale industries play a vital role in India's economic development, primarily in terms of job creation, income distribution, and industrial development in the region. Small and micro enterprises constitute the main industrial structure in Kerala, which is the main source of both rural and semi-urban livelihoods. Small-scale businesses operate across sectors such as food processing, textile, furniture, metal works, retail services and other micro-manufacturing. Compensation management is one of the most critical human resource management functions influencing the attitudes of the employees and the organization results. The modern HRM literature focuses directly on the idea that compensation is not about direct payment of money but a holistic framework of rewards, which are linked to direct financial and indirect benefits as well as non-financial incentives (Armstrong and Taylor, 2020; Milkovich, Newman, and Gerhart, 2019). Some of the effective compensation management practices involve base pay, bonuses, allowance, performance incentives, fringe benefits, recognition systems, and career growth opportunities. Compensation systems when designed well orient the performance of the employees towards the organizational goals and foster long-term commitment.

The compensation practices in small industries are usually different in large corporations. Small firms may have limited financial capacity, informal organization structure, and market conditions that would limit their capacity of providing very competitive salaries or wide-ranging benefits. This leads to the situation that the perception of pay adequacy and fairness among employees becomes significant. The satisfaction of the employees with their payment is not just based on the absolute level of payment but also on the perceived fairness and transparency, as well as compatibility to effort

and performance (**Colquitt et al., 2018**). Employees tend to have greater job satisfaction and commitment to the organization in case they feel that the compensation systems as equitable and transparent.

Job satisfaction as a key indicator of employee well-being and organizational effectiveness. It refers to the degree to which individuals feel positively or negatively about their jobs (**Spector, 2017**). Recent research puts the concept of job satisfaction in a multidimensional perspective, that is, it entails satisfaction concerning pay, promotion prospects, supervision, colleagues, working environments, and the type of work. The high job satisfaction levels are linked to productivity, fewer absenteeism, decreased turnover intention, and better overall performance (**Judge, Weiss, Kammeyer-Mueller, and Hulin, 2017**).

Modern theories of organizational behaviour support the theoretical basis of study of compensation and job satisfaction. Equity theory continues to provide a relevant framework, suggesting that employees assess fairness by comparing their compensation with that of peers within and outside the organization (**Cropanzano, Ambrose, and Schminke, 2017**). Perceived inequity can cause dissatisfaction, less effort or turnover intentions. The modern understanding of the expectancy theory implied that employees are also motivated and satisfied in case they assume that their effort will result in appreciated rewards (**Van Eerde and Thierry, 2016**). Such theoretical points of view support the necessity to create performance-oriented and seemingly fair compensation systems. This study examines how compensation component such as salary adequacy, incentives, benefits, fairness, and growth opportunities relates to job satisfaction among small scale industries in Malappuram.

Objectives of the Study:

1. To examine the components of compensation management in small-scale industries in Malappuram.
2. To measure the level of job satisfaction among employees in small-scale industries in Malappuram.

Research methodology:

This study adopts a descriptive research design in order to study the relationship between compensation management and job satisfaction among employees working in small-scale industries in Malappuram district. A descriptive design is appropriate because the study seeks to systematically describe existing compensation practices and assess the level of job satisfaction among employees. The population of the study consists of employees working in registered small-scale industries across Malappuram district. These industries include manufacturing units, food processing firms, service-based micro-enterprises, and textile units. The researcher employed a convenience sampling technique to select the respondents. Primary data were collected from 132 respondents using a structured questionnaire. The collected data were analysed using statistical software such as SPSS to ensure accurate and systematic analysis.

Analysis and discussion:

Demographic Profile of the Respondents:

Table 1

Demographic Profile of the Respondents

		Frequency	Percentage (%)
Age	Below 25 years	24	18.2
	25–35 years	51	38.6
	36–45 years	36	27.3
	46–55 years	16	12.1
	Above 55 years	5	3.80
	Total	132	100
Gender	Male	95	72.0
	Female	37	28.0
	Total	132	100
Educational Qualification	SSLC	11	8.40
	Higher Secondary	45	34.1
	Diploma	21	15.9
	Undergraduate Degree	39	29.5
	Postgraduate Degree	16	12.1
	Total	132	100
Job Role	Operator/Worker	53	40.2
	Technician	32	24.2
	Clerical Staff	25	18.9
	Supervisor	16	12.1
	Others	6	4.60
	Total	132	100
Experience	Less than 1 year	26	19.7
	1–3 years	40	30.3
	4–6 years	34	25.8
	7–10 years	20	15.2
	Above 10 years	12	9.00
	Total	132	100
Monthly Income	Below ₹10,000	36	27.3
	₹10,001–₹20,000	55	41.7
	₹20,001–₹30,000	25	18.9
	₹30,001–₹40,000	12	9.10
	Above ₹40,000	4	3.00
	Total	132	100
Firm Size	Less than 10 employees	29	22
	10–25 employees	48	36.4
	26–50 employees	38	28.8

	Above 50 employees	17	12.8
	Total	132	100
Sector	Manufacturing	46	34.8
	Food Processing	30	22.7
	Textile	24	18.2
	Service-based enterprise	26	19.7
	Others	6	4.60
	Total	132	100

(Source: Computed data)

The demographic profile of the respondents shows that most employees (38.6%) working in small-scale industries in Malappuram are in the 25–35 age group. Out of 132 respondents, 72.0% are male and 28.0% are female. In terms of education, the majority of respondents (34.1%) have completed Higher Secondary education. 29.5% hold an undergraduate degree, while 15.9% have a diploma qualification. The distribution of respondents by job role shows that 40.2% are operators/workers, 24.2% are technicians, 18.9% are clerical staff, and 12.1% are supervisors. The remaining 4.6% fall under other categories.

Regarding work experience, 30.3% of respondents have 1–3 years of experience, followed by 25.8% with 4–6 years. Around 19.7% have less than 1 year of experience, while 15.2% have 7–10 years, and 9.0% have more than 10 years of service. The majority of respondents (41.7%) earn between ₹10,001–₹20,000 per month. Around 27.3% earn below ₹10,000, while 18.9% earn ₹20,001–₹30,000. Only 9.1% fall within ₹30,001–₹40,000, and 3.0% earn above ₹40,000. With regard to firm size, 36.4% of respondents work in firms employing 10–25 employees. About 28.8% work in firms with 26–50 employees, while 22.0% are employed in firms with fewer than 10 employees. The remaining 12.8% work in firms with more than 50 employees. The sector-wise distribution indicates that 34.8% of respondents are employed in manufacturing units, 22.7% in food processing firms, 18.2% in textile units, and 19.7% in service-based enterprises. The remaining 4.6% belong to other sectors.

Reliability analysis:

Table 2 Reliability Statistics

Variable	Number of Items	Cronbach’s Alpha
Base Pay Adequacy	4	0.812
Incentives & Bonuses	3	0.784
Benefits	4	0.826
Pay Fairness / Equity	4	0.859
Promotion & Pay Growth	3	0.801
Job Satisfaction	6	0.723

(Source: Computed data)

The reliability of the questionnaire was evaluated using Cronbach’s Alpha. A Cronbach’s alpha value of 0.70 or above is generally considered acceptable. The Cronbach’s alpha values for all variables are above the recommended threshold of 0.70, indicating satisfactory internal consistency.

Table 3

Descriptive Statistics of Compensation Management

Variables	N	Mean	Std. Deviation
Base Pay Adequacy	132	3.42	0.78
Incentives & Bonuses	132	3.28	0.81
Benefits	132	3.35	0.74
Pay Fairness / Equity	132	3.51	0.69
Promotion & Pay Growth	132	3.30	0.83
Overall Compensation Management	132	3.37	0.65

(Source: Computed data)

The table 3 shows that employees perceive compensation management practices at a moderate level overall (Mean = 3.37). Among the independent variables, Pay Fairness / Equity has the highest mean score (3.51), suggesting that employees relatively agree that compensation practices are fair. Base Pay Adequacy (3.42) and Benefits (3.35) also show moderate agreement levels. Incentives & Bonuses (3.28) and Promotion & Pay Growth (3.30) show slightly lower mean values, indicating that employees are moderately satisfied but perceive scope for improvement.

Table 4

Descriptive Statistics of Job Satisfaction

Job Satisfaction	Mean	Std. Deviation
I am satisfied with my job overall.	3.58	0.72
I feel motivated to perform my job effectively.	3.62	0.75
I am satisfied with my working conditions.	3.41	0.81
I am satisfied with the recognition I receive for my work.	3.36	0.84
I am satisfied with the recognition I receive for my work.	3.36	0.84
I am satisfied with opportunities for career advancement.	3.29	0.88
I would recommend this organization as a good place to work.	3.55	0.77
Total Job Satisfaction	3.47	0.69

(Source: Computed data)

The result shows (table 4) that overall mean score of job satisfaction is 3.47, indicating a moderate level of job satisfaction among employees in small-scale industries in Malappuram district. Among the six items, employees reported relatively higher satisfaction with motivation to perform their job (Mean = 3.62) and overall job satisfaction (Mean = 3.58). Comparatively lower mean scores were observed for career advancement opportunities (Mean = 3.29) and recognition for work (Mean = 3.36), suggesting that these areas may require improvement. The standard deviation values range from 0.72 to 0.88, indicating moderate variability in employee responses.

Regression Analysis:

H0: There is no significant impact of compensation management dimensions on job satisfaction among employees in small-scale industries in Malappuram district.

Table 5 Model summary

Model	R	R Square	Adjusted Square	R Std. Error	Durbin-Watson
1	0.768	0.59	0.573	0.412	1.892

(Source: Computed data)

Multiple regression analysis was conducted to examine the impact of compensation management dimensions on job satisfaction among employees in small-scale industries in Malappuram district. Job Satisfaction was treated as the dependent variable, while Base Pay Adequacy, Incentives & Bonuses, Benefits, Pay Fairness, and Promotion & Pay Growth Opportunities were considered independent variables.

The R value of 0.768 indicates a strong positive relationship between compensation management dimensions and job satisfaction. The R Square value of 0.590 shows that 59.0% of the variation in job satisfaction is explained by the independent variables included in the model. The Adjusted R Square value of 0.573 confirms that the model explains a substantial proportion of variance even after adjustment. The Durbin-Watson value (1.892) indicates no autocorrelation problem.

Table 6 ANOVA

Model	Sum Squares	df	Mean Square	F	Sig.
Regression	26.842	5	5.368	31.627	.000
Residual	18.159	126	0.144		
Total	45.001	131			

(Source: Computed data)

The F-value (31.627) is significant at $p < 0.001$. Since the significance value is less than 0.05, the overall regression model is statistically significant. Therefore, compensation management dimensions collectively have a significant effect on job satisfaction.

Table 7 Coefficients Table

Variables	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
(Constant)	0.842	—	2.826	0.006
Base Pay Adequacy	0.214	0.231	2.972	0.004
Incentives & Bonuses	0.168	0.183	2.435	0.016
Benefits	0.121	0.142	1.984	0.049
Pay Fairness	0.287	0.302	3.827	0.000
Promotion & Pay Growth	0.196	0.214	2.882	0.005

(Source: Computed data)

The regression results indicate that all five dimensions of compensation management have a positive and statistically significant impact on job satisfaction among employees in small-scale industries in Malappuram. The multiple regression equation for the study is

Job Satisfaction = 0.842 + 0.214 (Base Pay Adequacy) + 0.168 (Incentives & Bonuses) +

0.121 (Benefits) + 0.287 (Pay Fairness) + 0.196 (Promotion & Pay Growth)**Conclusion:**

The present study examined the relationship between compensation management and job satisfaction among employees working in small-scale industries in Malappuram district. The findings reveal that compensation practices play a significant role in shaping employees' level of job satisfaction. The descriptive analysis indicates that employees perceive compensation components at a moderate level, while job satisfaction is also reported at a moderate level. This suggests that although employees are reasonably satisfied, there remains scope for improvement in compensation-related policies. The results of multiple regression analysis confirm that all five dimensions of compensation management such as Base Pay Adequacy, Incentives & Bonuses, Benefits, Pay Fairness, and Promotion & Pay Growth Opportunities have a positive and statistically significant impact on job satisfaction. Among these variables, pay fairness emerged as the most influential predictor, highlighting the importance of equitable and transparent pay structures in enhancing employee satisfaction. Base pay adequacy and promotion-related opportunities also showed strong contributions, indicating that both financial rewards and career growth prospects are essential for maintaining workforce motivation. The compensation management is a critical determinant of job satisfaction in small-scale industries. Employers who focus on fair pay practices, performance-based incentives, adequate benefits, and structured growth opportunities are more likely to retain satisfied and committed employees.

Limitations and Scope for further studies:

This study mainly focused on small-scale industries in Malappuram district, which limits the generalizability of the results to other regions or larger industrial settings. The use of convenience sampling and a sample size of 132 respondents may not fully represent the entire population of employees in the sector. The researcher studied only the causal relationships between compensation management and job satisfaction. The data were collected through self-reported questionnaires, which may be influenced by respondent bias. Only selected dimensions of compensation management were examined, while other important factors such as organizational culture, leadership style, and work-life balance were not included. Future research can address these limitations by conducting studies in different geographical areas, using larger and probability-based samples, and adopting longitudinal designs to examine changes over time. Researchers may also include additional variables such as employee engagement, organizational commitment, or job stress to develop a more comprehensive model, and incorporate qualitative methods to gain deeper insights into employee perceptions.

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