

# **A STUDY ON THE IMPACT OF PAYROLL ON EMPLOYEES' FINANCIAL WELLNESS IN CODEBOARD TECHNOLOGY PRIVATE LTD.**

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## **ABSTRACT**

This study explores how payroll deductions impact employee financial wellness at Code Board Technology. It assesses their influence on perceived income stability, financial stress, attitudes, and disposable income. The research adopts a multidimensional approach, evaluating savings behavior, debt management, budgeting skills, stress levels, and overall satisfaction. Various deduction types are examined, including taxes, insurance premiums, retirement contributions, and loan repayments. Data from 148 employees were analyzed using various statistical tests and tools. The findings shed light on challenges and perceptions related to deductions, suggesting implications for enhancing both employee financial wellness and organizational practices.

## **INTRODUCTION**

Payroll refers to the total amount of wages and salaries paid by a company to its employees during a specific period, which could be weekly, bi-weekly, or monthly. It includes all forms of compensation such as salaries, wages, bonuses, commissions, and deductions for taxes and benefits. Many companies use payroll software or outsource payroll services to streamline the process and ensure accuracy in calculations and compliance with regulations. Efficient payroll management is crucial for maintaining employee satisfaction, meeting legal requirements, and ensuring the smooth operation of the business. Effective payroll management is crucial for ensuring that employees are paid accurately and on time, complying with legal requirements, and maintaining the financial health of the business. Many companies use payroll software or outsource payroll services to streamline the process and minimize errors. Employee financial wellness refers to the overall financial health and stability of an organization's workforce. It encompasses the ability of employees to effectively manage their finances, achieve their financial goals, and cope with financial stressors. Investing in employee financial wellness not only benefits individual employees but also contributes to a more engaged, productive workforce and enhances organizational performance. By prioritizing financial wellness initiatives, employers can create a culture of support and empowerment that positively impacts both employees and the company as a whole.

## REVIEW OF LITERATURE

**Ritika Bhise (2023)**, By investing in payroll process management and utilizing tools like employee Payroll Software, and Global Payroll Solutions, employers can significantly improve their payroll processes and promote financial well-being among their employees. **Siti Sofiyah (2023)**, Based on the research results, the payroll system can be said to be quite good because it involves important elements, including a network of procedures that make up the payroll system & related functions. **Buhuchet (2023)**, The results of the study complement the study of the problems of standardization of accounting issues for various objects and business operations. **Ibrahim Ahmed (2023)**, The study concludes that the implementation Integrated Personnel and Payroll Information System (IPPIS) ensured civil servants personal information safety and integrity. **Robin Henager (2021)**, The findings indicate that financial satisfaction showed positive and direct associations with financial well-being whereas financial stress were negatively and directly associated with financial well-being. **Niklas Rudholm (2021)**, He found that the payroll tax cut increased the total wages paid to incumbent workers. **Nisha Prakash (2021)**, The results show the need for financial wellbeing programs to focus on enhancing financial knowledge and improving financial planning. **Hande and Avinash Bhagwan (2021)**, The findings state that the management students are accepting the third-party payroll recruitment opportunities considering job security, remuneration & family pressure. **Christopher (2020)**, This article provides practical suggestions for improving payroll audit effectiveness, also saves payroll taxes, pension/superannuation costs, workers compensation and other costs which are directly calculated from aggregate payroll. **Michael Marin (2020)**, This paper has two main results. First, Cash ETR is negatively related to the successfully discovering Fair Labour Standard Act (FLSA) violations during a Wage and Hour Division audit. Second, firms reduce their income tax avoidance following the discovery of FLSA violations. **Ahmad A. Palladan and Nuhu Y. Palladan (2018)** The study reveals among other things that accuracy in reward computation, job enrichment as well as timely payment of employee's benefits increases employee's productivity. **Jaluanto and Rizka Parasmita Dewi (2018)**, The results of this study show that the implementation of internal control on AIS of outsourcing payroll faced document otoritation and accounting procedures not yet done effectively that indicated by payment decision did not relate to the employee's achievement. **Siti Nasuha Aripin (2017)**, This study also evaluates the relationship between financial wellness components namely financial satisfaction, financial behavior, and subjective perception and QoL.

## OBJECTIVES OF THE STUDY

- To measure the level of financial stress experienced by employees due to payroll.
- To measure the impact of late or inaccurate payments on employees' financial well-being.
- To assess the clarity of deductions and their impact on employees' financial wellness
- To measure the employees' perceptions of communication regarding pay, benefits, and deductions

### **NEED OF THE STUDY**

Employee financial wellness significantly impacts job satisfaction and overall well-being. Financial stress, often stemming from debt, inadequate savings, and unexpected expenses, can decrease productivity, increase absenteeism, and harm health. Payroll plays a crucial role in employees' financial stability, influencing their take-home pay and disposable income. Addressing payroll issues can enhance financial wellness, leading to cost savings through reduced turnover and improved productivity. Research in this area helps organizations understand compliance challenges and prioritize employee financial wellness, fostering a culture of transparency and trust by responding to employee concerns about payroll practices.

### **SCOPE OF THE STUDY**

The study will assess financial wellness through savings behavior, debt management, budgeting skills, financial stress levels, and overall financial satisfaction. It will examine payroll deductions, including taxes, insurance premiums, retirement contributions, loan repayments, and other voluntary deductions. The research aims to link employees' financial wellness with organizational outcomes like productivity, innovation, and customer satisfaction, demonstrating how investments in financial wellness yield tangible organizational benefits. Metrics will include income stability, disposable income, financial stress, financial satisfaction, and perceptions of financial security.

### **RESEARCH METHODOLOGY**

The research design adopted in this study is Descriptive Research. Descriptive research is a research method describing the characteristics of the population or phenomenon studied. The primary data collection techniques used in this study is QUESTIONNAIRE METHOD. In this study, the major questionnaire technique used is Close Ended Questions. The sampling method used in this study is PROBABILITY SAMPLING. Probability sampling is a sampling technique where a researcher selects a few criteria and chooses members of a population randomly. The sampling technique used in this study is Simple Random Sampling. The sample size for this study is determined using KREJCIE AND

MORGON TABLE. The sample size for this study is 148, which is derived from the total number of employees in the organization, i.e., population(N) of 240. . The collected data has been analyzed by the following statistical tool:

- 1) Mann-Whi-tney U Test
- 2) Correlation

### DATA ANALYSIS AND INTERPRETATION

#### MANN-WHITNEY U TEST

Hypothesis:

H0: There is no significant difference between the mean rank of male & female with respect to the variables.

H1: There is a significant difference between the mean rank of male & female with respect to the variables.

#### TABLE SHOWING U TEST SIGNIFICANCE WITH GENDER AS GROUPING VARIABLE

Test Statistics <sup>a</sup>				
	Measuring level of financial stress among employees.	Impact of late or inaccurate payments on employees' financial well-being.	Clarity Assessment of Deductions and Their Influence on Employee Financial Wellness	Employees' perceptions of communication regarding pay, benefits, and deductions
Mann-Whitney U	2580.000	2607.000	2369.000	2658.500
Wilcoxon W	4858.000	4885.000	5690.000	4936.500
Z	-.518	-.413	-1.332	-.213
Asymp. Sig. (2-tailed)	.605	.680	.183	.832

a. Grouping Variable: Gender

#### INTERPRETATION

The Mann – Whitney U test was conducted on the sample data, and it is found that the significance value (P value) for all the variables is more than 0.05 i.e.,  $P > 0.05$ . Therefore, the null hypothesis (H0) is accepted. There is no statistically significant difference between the mean rank of male & female with respect to the variables.

#### CORRELATION

Hypothesis:

H0: The variables are not correlated with each other.

H1: The variables are correlated with each other.

**TABLE SHOWING CORRELATION BETWEEN THE VARIABLES**

			Correlations			
			Measuring level of financial stress among employees.	Impact of late or inaccurate payments on employees' financial well-being.	Clarity Assessment of Deductions and Their Influence on Employee Financial Wellness	Employees' perceptions of communication regarding pay, benefits, and deductions
Spearman's rho	Measuring level of financial stress among employees.	Correlation Coefficient	1.000	.650**	.529**	.543**
		Sig. (2-tailed)	.	.000	.000	.000
		N	148	148	148	148
	Impact of late or inaccurate payments on employees' financial well-being.	Correlation Coefficient	.650**	1.000	.338**	.473**
		Sig. (2-tailed)	.000	.	.000	.000
		N	148	148	148	148
	Clarity Assessment of Deductions and Their Influence on Employee Financial Wellness	Correlation Coefficient	.529**	.338**	1.000	.550**
		Sig. (2-tailed)	.000	.000	.	.000
		N	148	148	148	148
	Employees' perceptions of communication regarding pay, benefits, and deductions	Correlation Coefficient	.543**	.473**	.550**	1.000
		Sig. (2-tailed)	.000	.000	.000	.
		N	148	148	148	148

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

**INTERPRETATION**

The correlation was conducted on the sample data, and it is found that the significance value (P value) for all the variables is more than 0.05 i.e.,  $P > 0.05$ . Therefore, the null hypothesis ( $H_0$ ) is rejected. The variables are highly correlated with each other.

### FINDINGS

It is found that majority (56.1%) of the employees are male. 55.4% of the employees belong to the age group of 20-40. The employees who have the qualification of Bachelor's Degree are of 44.6%. 49.3% of the employees earn a monthly income of Rs.20,000-Rs.50,000. 42.6% of the employees have experience of 1-5 years with the company. 74.3% of the employees do not agree that their salary is keeping up with their cost-of-living expenses. The recent significant fluctuation in the employees' salary has been agreed by 58.1% of the employees. Majority (29%) of the employees have ranked 1, that they feel extremely stressed when payments are late & inaccurate. 29.7% of the employees are neither satisfied nor dissatisfied with the financial support provided by the employer. Majority, 37% of the respondents strongly agree that they feel confident in understanding of how the pay contribute to their overall compensation package. The Kruskal Wallis H test was conducted on the sample data, and it is found that the significance value for all the variables is more than 0.05. There is no statistically significant difference between the age of the employees with respect to the variables. The correlation was conducted on the sample data, and it is found that the significance value for all the variables is more than 0.05. The variables are highly correlated with each other.

### SUGGESTIONS

The company can review and adjust salary structures to better meet employees' financial needs. Automatic enrollment in retirement plans and contributions to savings accounts can be implemented. Improving communication around deductions is crucial, including detailed breakdowns and resources or workshops to help employees understand their pay and benefits. Ensuring timely and error-free payments is essential. Strengthening communication between HR and employees about pay, benefits, and deductions is important. Promoting financial wellness initiatives, such as retirement plans, employee discounts, and wellness programs, should be a priority. Enhancing Employee Assistance Programs (EAPs) to include budgeting assistance, debt management, and low-interest loans can also support financial wellness.

### CONCLUSION

The project on "The impact of payroll on employees' financial wellness" highlights significant concerns regarding payroll practices and their effect on employees' financial well-being. Many employees associate financial wellness with the absence of financial stress, yet most feel their salaries do not match rising living costs, leading to financial insecurity and stress. Addressing this disconnect

is crucial. Effective communication is key to building trust and reducing confusion, empowering employees to make informed financial decisions. This can be achieved through salary adjustments, transparency in deductions, timely and accurate payments, and strengthened communication channels. By focusing on these areas, organizations can create a supportive and inclusive environment where employees feel valued and financially secure. Investing in employees' financial wellness benefits both individuals and the organization, enhancing overall success and sustainability. This study underscores the need for employers to reassess payroll practices and policies to better support their workforce's financial well-being.

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