

# Influence of Financial and Nonfinancial Compensation on Academic Employees as Motivators – A Study on Higher Educational Institutions

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## ABSTRACT

Financial and nonfinancial compensation in the employment of academic employees in higher educational institutions have had a significant influence on their motivation. The kind of compensation determines whether employees will be satisfied with their jobs, whether they remain in service in an organization, and the level of performance executed at the place of work. With both surveys and interviews, data collection has been carried out with academic employees from various organizations that offer higher education. It suggests that although financial rewards, like salary and extrinsic rewards through bonuses, work to show greater job security and basic needs satisfaction, nonmonetary rewards, like recognition, career progression, and integration of work and life, are far more crucial for long-term employees' motivation and job enrichment. From the present study, it is said to be concluded that a proper ratio of financial and non-financial rewards and incentives may prove to be highly instrumental in ensuring the continued interest and motivation among employees. Those institutions that align the nonfinancial motivators with competitive financial packages are more prone to having higher levels of employee satisfaction and performance.

**Keywords:** Financial compensation, nonfinancial compensation, academic motivation, higher education institutions, job satisfaction, employee retention.

## INTRODUCTION

Employee motivation is considered the most vital factor in achieving organizational success, especially in higher educational institutions where employees in academics play a pivotal role in creating the future of students and contributing to a haven of academic excellence. Compensation has been one of the highly debated elements in organizational psychology on the effectiveness of a motivating factor through financial and nonfinancial compensations. Compensation packages are not only rewards but also powerful tools for increasing the performance, retention, and job satisfaction of employees (Martono et al., 2018).

Financial reward refers to direct compensations that are provided to employees for their work, like wages and bonuses, overtime, or extra fringe benefits such as health insurance and retirement plans. To many industries and sectors, whether from academia, financial reward serves a major purpose because most employees in these fields derive their livelihood from the glory of career and intellectual progress. Osibanjo et al., 2014. Adequate remunerations are an essential tool for attracting and retaining the best academic professionals because the global employment market is very competitive (Rasheed et al., 2016). On the other hand, intangible compensations like recognition, opportunities for career advancement, work-life balance, job autonomy, and professional growth have also been presented as significant motivators for the performance of academic employees (Tessema et al., 2013). Non-monetary rewards justify Herzberg's Two-Factor Theory, as encouragement, accomplishment, and accountability motivate employees more than just monetary rewards (Herzberg, 1968). Since higher education entities serve primarily for the pursuit of intellectual fulfillment and self-actualization to satisfy job fulfillment, other than monetary compensations, non-monetary rewards are critical motivators for faculty members in higher education institutions (Shoaib et al., 2009).

The effectiveness of motivation is the same for both types of rewards: financial as well as nonfinancial. The effect on motivation varies with every individual as well as with the institutional culture. The studies indicate that financial reward often becomes the basic, but nonfinancial rewards build a sense of

engagement, belongingness, and personal growth, which is necessary for commitment in the long term as well as high performance (Adams & Hicks, 2000). For institutions of higher education, the level of balance between such compensatory elements needs to be achieved to create an inspiring working environment for academic employees (Pohlen, 2012). This research study would like to investigate which of the financial and non-financial compensations affect and influence the motivations of academic employees in institutions of higher education as it relates to which factors are more potent to achieve job satisfaction and performance.

## LITERATURE REVIEW

The compensation system both financial and non-financial rewards influence employees' motivation in the academic environment of higher educational institutions. This section discusses relevant literature, where different theories and empirical findings on financial and nonfinancial compensation are discussed together with effects on motivation and how the factors may hold for academic employees.

### 1. Theoretical Framework: Motivation Theories

The current discussion is based on several theories of motivation that explain how employees behave through compensation. Maslow's Hierarchy of Needs, for instance, stipulates that humans are motivated by their ability to fulfil needs in a hierarchical sequential fashion from basic physiological up to self-actualization needs. More basic physiological, and safety security kind of needs can be fulfilled by financial compensation; however, esteem or self-actualization type of higher-order needs can be satisfied through nonfinancial rewards. Hygiene factors, as recognized by Herzberg's Two Factor Theory, include: Salary and job security to prevent dissatisfaction per se but are not alone sufficient as a motivator. Nonfinancial compensation, however, can enhance job satisfaction and satisfy intrinsic needs.

Vroom's Expectancy Theory (Vroom, 1964) also explains the impact of compensation on motivating employees. This theory describes how effort will finally culminate into good performance leading to rewards desired by employees as long as the employees believe so. The financial rewards form an extrinsic motivator that will make employees perform when the reward system appears fair and achievable while the nonmonetary benefits align with the intrinsic motivator as they are valued and appreciated.

### 2. Financial Reward: Concept and Effect

Financial reward is a one-on-one monetary reward provided to employees as salary, bonus, and fringe benefit. These rewards are necessary for the enrichment of the basic needs of employees and financial security. According to Martino et al. (2018), financial reward enhances the motivation of employees directly about their economic expectations, job satisfaction, and turnover. Thus, concerning securing experienced and qualified professionals for higher education and at a time when competition to recruit skilled faculty members remains quite competitive, adequate financial rewards must be required to accomplish this hiring and retaining of academic professionals (Rasheed et al., 2016).

However, research suggests that though financial rewards are required, in the long term, they manifest as diminishing returns (Azman et al., 2009). Instead of monetary incentives, after ensuring their basic financial requirements, most academic employees seek satisfaction in non-monetary benefits, such as recognition, autonomy, and professional growth, Osibanjo et al., (2014). However, appropriate financial reward structures, such as performance-based bonuses and benefits, can be a sufficient extrinsic motivator to institutions of learning.

### 3. NonFinancial Compensation: Definition and Impact

Nonmonetary rewards are those that are not closely related in terms of monetary value but are much more critical in terms of job satisfaction and engagement. They are considered to include recognition, flexible work, career opportunities, and a decent working environment (Tessema et al., 2013). In academia, rewards involving intellectual freedom, research, and recognition of academic output are regarded as the same or even greater compared to monetary rewards (Shoaib et al., 2009).

Güntert and Wehner (2015) studied academic employees and found that recognition and opportunities for professional development were sure predictors of job satisfaction and organizational commitment. Nonfinancial compensation also falls in line with Herzberg's motivators since it covers the intrinsic components of job satisfaction. Investments in personal and professional development and meaningful recognition, for instance, have been associated with higher engagement and productivity among academic employees as analysed by Adams & Hicks (2000).

#### 4. Comparative Studies: Financial vs. NonFinancial Rewards

The available literature includes various comparative studies that compare the results of financial and non-financial rewards on employees. Specifically, Tessema et al. (2013) reveal that compared to financial rewards, nonfinancial rewards have a significant impact on job satisfaction in academic environments due to the significance of intellectual achievements and professional recognition. Along the same line, Owolabi and Makinde (2012) noted that though financial rewards had been at the base of compensation, the facilitating factors were recognition and career growth that would keep academic staff committed to their institutions.

Martono et al. (2018) believe that within a sustainable reward system, financial rewards and non-financial rewards should be in tandem. In the case of higher learning institutions, financial recompense will satisfy basic needs, but nonfinancial rewards also tend to ensure long-term commitment because they form a basis for belonging and the pursuit of a set purpose. Based on the Expectancy Theory by Vroom, academic employees get motivated if they believe that their efforts will lead to professional growth and recognition concomitantly with financial rewards.

#### 5. Gaps in Existing Literature

Most previous literature regarding compensation systems has not covered problems with how the composition of financial and non-financial rewards in academic institutions affects long-term periods. While several studies have focused on the short-term effects of rewards on motivation, there is a lack of such studies in this regard as far as the differential impacts of various strategies related to compensation on retention and job satisfaction of academic employees over time. Further, public and private higher institutions of learning have not yet fully researched areas of contextual differences in preferences for rewards compensation.

There is some literature to the effect that while both financial and nonfinancial compensation are important for motivating academic staff, their effectiveness varies from person to person and context. While financial rewards are necessary for basic economic needs, recognition, career advancement, and intellectual autonomy are quite crucial to fostering long-term motivation and job satisfaction. This would mean that, in the future, research will help devise a compensation model that combines both kinds of rewards to fit the special needs of motivating academic employees within higher educational institutions.

#### Financial Compensation

Financial compensation refers to the monetary rewards provided to employees in exchange for their labor. In the context of higher educational institutions, financial compensation includes basic salary, bonuses, benefits, and incentives. It plays a crucial role in fulfilling employees' economic needs and serves as a primary motivator for many individuals entering the academic profession. However, its ability to maintain long-term motivation and job satisfaction is debated.

#### Importance of Financial Compensation

Financial compensation has been identified as a key factor in job satisfaction, particularly in satisfying basic needs as per Maslow's Hierarchy of Needs (1943). Academic employees rely on their salaries to meet physiological and safety needs, such as food, housing, and financial security. Additionally, financial rewards can act as a form of recognition for high performance and achievements.

Rasheed et al. (2016) emphasize that financial compensation provides immediate gratification and is often used as a benchmark by which employees measure their worth within an institution. Moreover, financial compensation is essential in competitive job markets to attract and retain talented faculty. Institutions that offer competitive salaries and benefits packages are more likely to recruit highly qualified professionals (Azman et al., 2009).

#### Components of Financial Compensation

##### 1. Basic Salary

The most important component of financial compensation, a fixed salary provides a stable source of income for academic employees. Salary levels are often determined by qualifications, experience, and institutional policies. Higher salaries are associated with greater job satisfaction, as they fulfill basic economic needs and provide financial security (Güntert&Wehner, 2015).

##### 2. Bonuses and Incentives

Academic institutions may offer performance-based bonuses and incentives to encourage and reward outstanding contributions. These bonuses are typically tied to specific goals, such as research output, teaching excellence, or administrative performance. According to Tessema et al. (2013), bonuses and incentives serve as short-term motivators and can lead to temporary increases in productivity.

### 3. Benefits

In addition to salary, academic employees receive benefits such as health insurance, retirement plans, and housing allowances. These noncash benefits enhance the overall compensation package and are important for ensuring long-term financial security.

### 4. Allowances

Some institutions provide additional allowances for academic staff, such as travel or professional development allowances. These allowances help cover the costs associated with attending conferences, conducting research, or pursuing advanced qualifications.

### Limitations of Financial Compensation

Despite its significance, financial compensation alone is often insufficient to sustain long-term motivation among academic employees. Research suggests that while financial rewards fulfill basic needs, they do not address the intrinsic motivators that contribute to job satisfaction and professional fulfillment (Herzberg, 1968). Nonfinancial compensation, such as recognition and professional growth opportunities, is often needed to complement financial rewards and promote sustained motivation.

Moreover, financial compensation tends to have a diminishing effect over time. Once basic needs are met, employees often seek more meaningful rewards, such as opportunities for career advancement or intellectual stimulation (Rasheed et al., 2016). Financial compensation is a crucial component of employee motivation, particularly in fulfilling basic economic needs and providing financial security. However, higher educational institutions must balance financial rewards with nonfinancial compensation to promote long-term job satisfaction and employee engagement. Institutions that rely solely on financial incentives may face challenges in retaining motivated and committed academic staff in the long run.

### Non-Financial Compensation

Financial remuneration is the monetary reward that the employee gets in terms of monetary value in return for his labor. In the context of higher educational institutions, it includes basic salary, bonuses, benefits, and incentives. Financial compensations play a crucial role in satisfying the economic needs of the employees. This is one of the foremost motivating forces behind the effort of many to enter into the profession. Its role in maintaining long-term motivation and job satisfaction remains controversial. Importance of Financial Compensation

Pay was known to be one of the most significant motivators and complements job satisfaction, especially by satisfying the so-called basic needs as conceptualized by Maslow's Hierarchy of Needs, way back in 1943. Salaries and wage scales allow academic employees to achieve their physiological and safety needs, that is to say, food and shelter, and, of course, financial security. In addition, monetary rewards represent a degree of recognition for good performance and of course, for excellent achievements.

Rasheed et al. (2016) note that financial reward is accompanied by instant gratification and it often serves as a yardstick to measure one is worth inside an organization. Moreover, financial reward often plays a crucial role in competitive job markets as it remains the only tool for attracting and retaining talented teaching faculty. Highly qualified professionals would be more likely to join those institutions that give competitive salaries and suitable benefits packages (Azman et al., 2009).

### Component of Financial Reward

#### 1. Basic Salary

The most important component of monetary reward, a fixed salary is a steady inflow of income for working professionals in academic institutions. Since salaries may depend on qualifications, experience, and institutional policies, basic salary levels can vary accordingly. Greater salaries are essentially associated with greater job satisfaction, for the simple reason that they should fulfil the first-tier economic needs and safeguard the economic security of the employees (Güntert&Wehner, 2015).

#### 2. Bonus and Incentive

Performance-based rewards in terms of bonuses and incentives can be provided by the institution to motivate and reward outstanding contributions. These bonuses are usually attached to certain goals, such as research output, teaching excellence, or administrative performance. Tessema et al. (2013) observed that bonuses and incentives are kinds of short-term motivators that quickly improve productivity.

#### 3. Allowances

Besides pay, other incentives are seen in health, retirement plans, and housing allowances. These are the forms of noncash benefits that enhance the total reward package to an employee to maintain long-term security.

#### 4. Allowances

Some organizations develop and provide basic allowances for the academic staff in these forms: travel or professional development allowances. Allowances are designed to compensate for the costs of conferencing, doing research, or obtaining higher qualifications.

#### Limitations of Monetary Compensation

Monetary compensation alone has been a failure to keep any employee motivated for a long time except the academic staff. As Herzberg (1968) "While money will buy food, but food won't buy money, as far as work is concerned, money is a hygiene factor only, whereas psychological needs are intrinsic motivators contributing to job satisfaction and professional fulfillment. For this reason, along with monetary compensation, often nonmonetary compensation such as recognition and opportunities for professional growth is required for instilling long-term motivation.

Besides that, financial compensation fades out with time. However, after fulfilling the most basic needs of workers, people seek other rewards. For instance, people want opportunities for promotion or mental stimulation (Rasheed et al., 2016). Hence, financial compensation is essential in the motivation of employees to ensure basic economic needs and financial security are met. Higher education institutions, however, have to strike a balance between monetary compensation and non-monetary compensation, besides this, to ensure long-term work satisfaction and engagement of employees. In the long run, institutions that rely purely on monetary benefits may find that it is hard to keep academics motivated and committed.

#### Non-Monetary Compensation

By nonfinancial compensation, one refers to rewards and benefits that do not entitle monetary payments directly but significantly affect employee motivation and job satisfaction. In higher education institutions, such factors include recognition, career development opportunities, work-life balance, autonomy, job security, and a positive work environment. Such rewards appeal to intrinsic motivators, of importance in sustaining long-term commitment and engagement among academic employees.

#### Meaning of NonFinancial Reward

Nonfinancial reward helps to cater to a higher order of needs as according to Maslow's hierarchy, esteem and self-actualization a way to achieve them (Maslow, 1943). As the financial reward helps in meeting the basic physiological needs, nonfinancial rewards of motivation are on the psychological side, and such employees will be academics who seek personal and professional fulfillment beyond economic gains.

Herzberg's Two-Factor Theory (1968) supports the view stating intrinsic motivators in terms of achievement, recognition, or opportunities to develop individuality are the determinants of long-run job satisfaction. To academic employees, in particular, intellectually stimulating tasks, the feeling of accomplishing something and the chance to make something towards the development of knowledge stand significantly higher as motivating factors than pay. Components of NonFinancial Compensation

##### 1. Appropriate and Gratitude

Faculty acknowledge appreciation for the job done in teaching, research, or administration. Indeed, public esteem of a recognized and rewarded effort can be through awards, promotions, or colleague recognition, which translates to the rebooting of morale and an employee's renewed feeling of belonging and purpose (Tessema et al., 2013). Recognitions are being acknowledged by peers, students, and the institution at large to highlight self-esteem and motivate further efforts.

##### 2. Professional Development

Career advancement, in terms of attending seminars, applying for research grants, and undertaking professional development courses, is an integrated form of nonmonetary incentives. Academic staff members are always eager to increase their knowledge and advance their careers by embracing lifelong learning. Providing education and academic as well as professional career advancement opportunities ensures that high-performing talent will remain in higher learning institutions (Shoib et al., 2009).

##### 3. Work Life Balance

Work arrangements, most notably balancing teaching, research, or personal activities, are of a high level of importance among academic staff. Supportive institutions for healthy work-life balance are considered by employee satisfaction. Managing autonomy in time and responsibility is more susceptible to greater job commitment and less susceptibility to burnout (Osibanjo et al., 2014).

##### 4. Employment Security

Academic employees are not more favorable when it comes to job security. Tenure, contracts, and job security for a long time provide enough comfort and encouragement for faculty members to be free of fear of losing their jobs in the pursuit of academic research (Rasheed et al., 2016).

## **5. Autonomy and Empowerment**

In an academic context, autonomy or control over one's work, including teaching methods, research topics, or administrative duties, may represent the strongest determinant of motivation. Empowering academic employees by giving them control over their work, and freedom to innovate and engage in intellectual concerns develops an open, creative environment where ownership of work and invention are fostered and thus job satisfaction and performance (Güntert&Wehner, 2015).

## **6. Work Environment**

Positive A collaborative, collegiate, and supportive working environment has inherent worth as a part of nonfinancial compensation. Academic employees perform effectively only in an atmosphere where they feel valuable, respected, and part of a scholarly community. A culture of open communication, teamwork, and respect can significantly enhance job satisfaction and motivation (Shoaib et al., 2009).

## **Impact of NonFinancial Compensation on Motivation**

Consistent studies reveal that nonmonetary rewards are a strong influencer of motivation toward employees, mainly in an academic context where intellectual and professional gratification is typically the most essential value of satisfaction (Herzberg, 1968). Nonmonetary incentives promote intrinsic motivation among employees through achievement, meaning, and recognition. When staff members in academia receive these intrinsic rewards, they appear to be motivated, loyal and committed to the institution to a higher degree. Research further shows that nonmonetary incentives elicit more extended periods of job satisfaction than monetary incentives, which elicit short periods of satisfaction (Tessema et al., 2013). Academic workers must see incentive compensation that shares closely with personal and professional motivations that an individual is driven by to teach, research, and provide a contribution intellectually.

## **Barriers to Implementation of NonFinancial Compensation**

Despite the significant recognized importance of nonfinancial rewards, institutions of higher learning are sometimes challenged with problems in developing effective rewards. Budgetary restrictions often translate to limited opportunities for career development, while heavy workloads may prevent work-life balance between employees. In addition, recognition systems are sometimes considered inadequate or inconsistent, leading to faculty dissatisfaction.

Further, academic employees also have varying needs for some forms of nonfinancial rewards. For instance, while career development and recognition mean much to young faculty members, older employees may be more interested in job security and independence. For that reason, providing suitable non-monetary pay relevant to different needs among different academic employees is deemed fundamental to undertake its motivational effect (Osibanjo et al., 2014).

Nonmonetary rewards are essential motivators of academic staff motivation. They include acknowledgment, professional development, and work-life balance when there are intrinsic needs. The top education institutions should comprehend the meaning of nonmonetary rewards and have a concrete strategy as an augmentation for monetary remuneration. The institutions can realize long-term job satisfaction, motivation, and retention if they come up with strategies to enable the development of their academic staff's careers and achieve recognition besides having a good working environment.

## **Academic Employees As Motivators**

Academic staff like teaching and non-teaching faculties, researchers, and support staff incur huge responsibilities in all the motivators and productivity conducted inside the process of educational institutions. Engagement and motivation of the academic staff help them be professionally satisfied, and this satisfaction supports the creation of a healthy learning environment with improving student outcomes and progression of institutional success. It is only by determining their role, the factors that motivate them, and their influence on peers and students that we will understand how academic employees can become motivators.

## **Role of Academic Employees in Motivation**

### **1. Academic employees are the influencers of student engagement**

Academic employees can inspire students to pursue their academic goals, acquire a passion for learning, and motivate them through effective teaching, mentoring, and guidance. A motivated faculty can make the class very enjoyable and can improve both student performance and student satisfaction dramatically (Pritchard et al., 2010).

## **2. Peer Mentorship and Support**

On the campus of academic institutions, often, the experienced academic faculty becomes the mentor to junior peers as well as a mentor to new staff. Peer mentoring fosters an environment of cooperation and exchange, which, in turn, boosts job satisfaction and retention. Mentors who are open and ready to share knowledge and experience create motivation among their mentees and also lead to an integrated and motivated academic community (Sampson et al., 2019).

## **3. Cooperation and Teamwork**

Faculty students motivate each other through common aims and collective efforts while conducting collaborative research and interdisciplinary projects. This collaboration eventually leads to fresh ideas and better teaching methods for the benefit of the institution and its students. Collaboration from the faculty creates an environment that fosters motivation while discussing best practices, resources, and support (Güntert&Wehner, 2015).

## **4. Leadership and Advocacy**

Academic employees usually become leaders at department or institution levels, hence advocating for changes and improvements meant to be of significance. Incorporating academic staff into the decision-making processes can help them grow into active agents towards fulfilling the mission of the institution. For example, faculty members who possess leadership qualities can stimulate their colleagues to perform and strive harder because they are owned (Tessema et al., 2013).

## **Factors That Affect The Motivation Of Academic Employees**

### **1. Recognition and Appreciation**

Academic staff motivation results from the recognition of their efforts which may be in the form of an award, promotion, or even informal recognition. The fact that faculty members' efforts matter has more propensity to result in engagement and commitment toward work (Shoaib et al., 2009).

### **2. Professional Development**

Opportunities for continuous learning and professional development are huge motivators. Academic employees who have access to training, conferences, and research funding are likely to be motivated to deliver more in their roles (Osibanjo et al., 2014). Institutions that support professional development encourage growth and motivation.

### **3. Autonomy and Empowerment**

The autonomy to exercise choices regarding teaching and research experiences should boost the level of autonomy among academic employees. Empowerment refers to faculty power that is placed at faculty members' discretion and control to increase their work performance (Güntert&Wehner, 2015).

### **4. WorkLife Balance**

Maintaining a healthy worklife balance is essential for sustained motivation, and those institutions promoting flexible arrangements with supportive policies for academic employees allow them to take care of their work and personal life effectively, therefore augmenting job satisfaction and motivation (Rasheed et al., 2016).

## **Implication of the motivated academic employees for the institution**

### **1. Better teaching and learning**

The motivated academic staff may be more conducive to adopting innovative teaching methodologies, interacting with the students, and creating an effective learning environment, which positively influences student learning outcomes and general institutional performance.

### **2. Increased productivity in research**

Highly motivated academic employees tend to engage more in research activities, publish findings, and share or contribute to the body of knowledge related to their specific disciplines. This productivity not only enhances the reputation of the individual staff member but also the reputation of the institution (Sampson et al., 2019).

### **3. Positive Institutional Culture**

A motivated faculty contributes to a positive institutional culture characterized by collaboration, support, and shared goals. Such a culture attracts and retains talented employees, results in lower turnover rates, and leads to the stability of the academic workforce (Pritchard et al., 2010).

### **4. Community outreach and engagement**

The incentivized academic staff engages more in community outreach and engagement projects, boosting the reputation of such an institution while creating closer relationships with the local community. Their social responsibility may also encourage the participation of students in community activities.

Academic employees are motivational agents in academic environments, motivating students to attend classes and interact with one another, fostering collaboration, and bringing about successful results for

the institutions. Thus, institutions develop an attractive academic environment when they satisfy the motivating factors of these employees: recognition, training, autonomy, and work-life balance.

### Data Analysis

**Table 1: Demographic Profile**

Category	Subcategory	Frequency	Percentage
<b>Gender</b>	Male	150	60%
	Female	100	40%
<b>Age Group</b>	25-35 years	75	30%
	36-45 years	90	36%
	46-55 years	60	24%
	56 years and above	25	10%
<b>Educational Qualification</b>	Master's Degree	100	40%
	M.Phil	50	20%
	Ph.D.	75	30%
	Postdoctoral	25	10%
<b>Years of Experience</b>	0-5 years	60	24%
	6-10 years	85	34%
	11-15 years	70	28%
	16 years and above	35	14%
<b>Designation</b>	Assistant Professor	125	50%
	Associate Professor	55	22%
	Professor	40	16%
	Administrative/Other Academic Staff	30	12%

Source: Primary Data

The above graph highlights the demographic profile of 250 academic respondents divided into significant categories such as gender, age group, educational qualifications, years of experience, and designation. Each pie chart depicts the percentage distribution of respondents under each category, thus providing an intuitive visual overview of the demographic diversity in the study.

(H<sub>0</sub>) There is no significant association between age group and preference for financial or nonfinancial compensation.

Chi-square Test	Observed (O)	Expected (E)	(O - E) <sup>2</sup> / E
25-35 years (Financial)	60	46.8	3.51
25-35 years (nonfinancial)	30	43.2	4.01
36-45 years (Financial)	50	57.2	0.91
36-45 years (nonfinancial)	60	52.8	1
46+ years (Financial)	20	25.9	1.34
46+ years (nonfinancial)	30	24.1	1.44

#### The sum of ChiSquare Values

$$\chi^2 = 3.51 + 4.01 + 0.91 + 1.00 + 1.34 + 1.44 = 12.21$$

Degree of Freedom (df)

$$df = (r - 1) \times (c - 1) = (3 - 1) \times (2 - 1) = 2$$



### Interpretation

In a chi-square table, for  $df = 2$  and  $\text{sig level} = 0.05$ , the critical value is 5.99.

Since the calculated chi-square value of 12.21 is more significant than the critical value that is 5.99, the null hypothesis is rejected. This means that the age group is significantly associated with a preference for financial vs. nonfinancial compensation.

( $H_0$ ) There is no significant association between gender and preference for financial or nonfinancial compensation.

Using a chi-square table, the critical value with  $df = 1$ , and at a significance level of 0.05 is 3.84.

Since the calculated chi-square value is less than the critical value, we fail to reject the null hypothesis. This means that there is no significant relationship between gender and preference towards financial vs. non-financial compensation.

( $H_0$ ) There is no significant association between years of experience and satisfaction with compensation.

### Interpretation

Use a chi-square table,  $df = 2$ , and significance 0.05. The critical value is 5.99.

Since the calculated chi-square value is greater than the critical value of the chi-square table (calculated chi-square = 8.34; critical value = 5.99), we should reject the null hypothesis. Thus, as can be derived from the significant association between years of experience and satisfactory compensation, years of experience are related to satisfaction toward being compensated adequately.

### Anova Analysis

( $H_0$ ): There is no significant difference in motivation levels based on the type of compensation.

Source of Variation	The sum of Squares (SS)	df	Mean Square (MS)	Value
Between Groups	166.75	2	83.375	59.13
Within Groups	348.3	247	1.41	
Total	515.05	249		

### Interpretation

#### 1. Between Groups

The sum of Squares (SS) = 166.75 SS, in this context, means it represents the variation of scores on motivation between the groups, Salary, Bonuses, and Allowances. It implies that some of the total variation in the scores of motivations is the result of different kinds of compensation related to monetary rewards.

Df (Degrees of Freedom): The degrees of freedom between groups are 2, corresponding to the number of groups minus one: 3 compensation groups  $1 = 2$ .

MS: The mean square value is 83.375 which was obtained when dividing the values of SS by df. It describes the average variation among the groups.

Fvalue: Here, the Fvalue is 59.13 which is the ratio between the mean square between groups to the mean square within groups. A high Fvalue means that there is more probability of the group differences being statistically significant.

#### 2. Within Groups

The sum of Squares (SS): The variation within each group (the unexplained or residual variance) is represented by the value 348.3, indicating how much of the total variation in motivation levels remains to be explained by the type of compensation.

Df - Degrees of Freedom: The value is 247, which is basically from subtracting the number of groups (3) from the total respondents surveyed (250).

MS: Sum of squares within groups divided by the degrees of freedom to get the value of 1.41.

Interpretation: This is the average variation within each group.

#### 3. Total

The sum of Squares (SS): The sum of squares' total value is 515.05 and it is the variation in the level of motivation among respondents as a whole

#### 4. Interpretation of F value

A calculated F-value of 59.13 is much greater than the critical F-value for a significance level of 0.05, and thus it gives the impression that the difference in motivation among these three groups, corresponding to different types of compensation is statistically significant.

Conclusion: Since the Fvalue is higher than the critical value, we will reject the null hypothesis. That means the type of monetary compensation (salary, bonuses, allowances) has a statistically significant effect on the motivation levels of academics working in higher educational institutions.

To summarize in a nutshell, ANOVA concluded that the motivation levels of academic employees vary distinctly with the type of compensation drawn by them, signifying an important role of financial compensation in motivating them.

## **FINDINGS AND DISCUSSION**

Here, the findings of this study on the effects of financial and nonfinancial compensation for motivating academic employees in higher educational institutions will be discussed, followed by an analysis and discussion of the implications of the findings.

### **Findings**

#### **1. Financial Compensation and Motivation**

The study established that financial rewards, comprising salary, bonuses, and allowances, have a moderate positive association with the motivation of academic staff. Satisfaction among the respondents who reported higher levels of financial rewards was greater as compared to those who reported low financial compensation.

Academic staff whose remunerations are attributed as competitive are more likely to be highly satisfied and most likely to remain within the institution.

#### **2. Nonfinancial Reward and Motivation**

Recognition, career opportunities, and work-life balance support remained as non-monetary incentives that stood to have a positive effect on the motivation of employees.

Professional development opportunities, recognition, and flexible working conditions are important motivators for academic staff.

#### **3. Relative Impact of Financial and Non-Monetary Incentives**

The greatest motivational force was obtained with a combination of both monetary and nonmonetary rewards. Employees who were highly paid on the financial side and employees who experienced nonmonetary incentives indicated the greatest job satisfaction and organizational commitment.

Balanced organizations with a reward approach that provided market salary with opportunities for career advancement and recognition signaled higher employee morale and retention levels.

#### **4. Demographic Influence on Motivation**

Age, gender, and years of experience determined how compensation was perceived on the part of academic employees. Young employees between 25-35 years were still motivated by financial incentives, whereas older employees aged 46+ years believe more in nonfinancial compensation in the form of some recognition and work-life balance.

Female respondents showed that they believed more in nonfinancial compensation (e.g., flexibility, recognition) than male respondents, who were more in favor of a monetary incentive.

## **DISCUSSION**

This would signify that both financial and nonfinancial compensation systems work synergistically to change the motivation of those working in these institutions. Of course, financial rewards will come into play very importantly for the young, lower-grade staff, but it would be equally, if more important in the long-term maintenance of motivation, the nonfinancial incentives of recognition, career growth, and work-life balance.

This agrees with the Self-Determination Theory, where it was observed that intrinsic motivators like personal growth and recognition are very crucial for preserving higher levels of engagement. Higher-rank academic employees seem to enjoy intrinsic rewards more in achieving belongingness and work fulfillment. This also means, that with a joint compensation strategy featuring motivation, higher learning institutions must establish compensation packages. This is also in agreement with earlier studies by Hassan et al. (2020) and Ajayi (2019) which point out that it is well-understood that investments in monetary and nonmonetary rewards can boost productivity and help to reduce turnover rates.

While a monetary reward package is not insignificant for the employees of institutions of higher education, nonmonetary rewards form an increasingly critical aspect of the reward package. Employees in institutions of higher education must be satisfied and retained, and motivating such employees requires not only a balanced but also a comprehensive compensation framework for institutions of higher education. This will subsequently facilitate the attraction and retention of quality academic talent and thereby affect the overall quality of education and research.

## CONCLUSION

The key findings of this research assert that both types of compensation, financial and non-financial, are of prime significance for employees working in higher educational institutes. While financial compensation, such as pay and incentives, is the most prominent motivator among the young workforce, or at least one would consider this to be the case, nondiscretionary rewards like recognition, career development, and work-life balance are also significant for long-term engagement and satisfaction. The findings suggest that it is necessary for a balanced approach that combines compensation using both types to gain the highest levels of motivation and retention. That's why such institutions implementing this holistic compensation strategy will have a better chance to access and retain top academic talent to inspire high performance and sustainability in the environment. Compensation will thus be done on an all-around basis and bring forth a motivated and committed workforce that will bode well for the success and academic excellence of the institution in the long term.

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