

Impact of Monetary and Non-Monetary Reward Systems on Employee Retention: A Case Study of Unique Punch System (P) Ltd., Nelamangala

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Abstract

Reward systems are a central lever through which organizations shape employee motivation, job satisfaction, and retention. This study examines the influence of monetary and non-monetary reward practices on employee retention at Unique Punch System (P) Ltd., a metal-punching manufacturing firm in Nelamangala, Karnataka. A descriptive research design was adopted, with primary data collected from 50 employees through a structured questionnaire covering monetary benefits (salary, incentives, bonuses) and non-monetary benefits (recognition, career growth, job security, work-life balance). Data were analysed using percentage analysis and a chi-square test of association between benefit-type preference and retention intention. The calculated chi-square value ($\chi^2 = 4.47$) exceeded the critical value (3.84) at the 5% significance level with one degree of freedom, leading to rejection of the null hypothesis. Seventy percent of respondents agreed that bonuses improved performance motivation, while 60% perceived their pay as fair. The findings indicate that employees who prefer non-monetary benefits report a stronger association with staying intention than those who prioritise monetary benefits alone, suggesting that a balanced reward strategy — combining competitive compensation with recognition, career development, and work-life balance — is likely to be more effective for retention than financial incentives in isolation. Implications for manufacturing-sector HR practice and directions for future research are discussed.

Keywords: reward system; employee retention; monetary benefits; non-monetary benefits; employee motivation; manufacturing sector

1. Introduction

The metal-punching industry is a foundational segment of modern manufacturing, supplying precision-shaped components to the automotive, aerospace, electronics, and construction sectors. As in most manufacturing organizations, employees' technical skill, experience, and productivity directly determine organizational performance, making the attraction and retention of skilled staff a central concern for human resource managers.

A reward system — broadly divided into monetary rewards (salary, incentives, bonuses, allowances) and non-monetary rewards (recognition, career development, job security, autonomy, and work-life balance) — is one of the principal mechanisms organizations use to motivate and retain employees. Thibault Landry, Schweyer, and Whillans (2017) argue that organizations should move beyond salary and traditional cash rewards toward greater emphasis on nonpecuniary, tangible, and intangible recognition, since reward effectiveness depends as much on employees' perceptions of fairness and recognition as on the monetary value of the reward itself. This view is echoed in the broader literature: Figueiredo, Margaça, Sánchez García, and Ribeiro (2025), in a systematic review of 61 studies, found that both financial and non-financial rewards contribute to employee satisfaction, motivation, involvement, and retention, with fairness and transparency in reward allocation as recurring determinants of effectiveness.

This study examines the impact of monetary and non-monetary reward systems on employee retention with special reference to Unique Punch System (P) Ltd., Nelamangala, comparing the relative influence of the two reward categories within a single manufacturing organization.

1.1 Statement of the Problem

Organizations increasingly face challenges in retaining skilled and experienced employees; high turnover raises recruitment and training costs and can erode productivity and organizational performance. While monetary benefits address employees' financial needs, non-monetary benefits such as recognition, career growth, job security, and work-life balance increasingly shape employees' psychological and professional expectations. This study examines how both reward categories jointly influence employee satisfaction, motivation, and retention at Unique Punch System (P) Ltd., Nelamangala.

1.2 Objectives of the Study

1. To study the impact of monetary and non-monetary benefits on employee retention.
2. To identify the monetary benefits provided to employees in the organization.
3. To examine the non-monetary benefits offered to employees.
4. To analyse employee satisfaction with monetary benefits.
5. To evaluate the impact of non-monetary benefits on employee motivation and retention.
6. To compare the relative effectiveness of monetary and non-monetary benefits in retaining employees.

1.3 Scope of the Study

The study covers employees across departments and job levels at Unique Punch System (P) Ltd., Nelamangala, examining monetary benefits (salary, incentives, bonuses, allowances) and non-monetary benefits (recognition, career growth, job security, work-life balance, and working conditions), together with employee satisfaction and perceptions of reward effectiveness.

2. Literature Review

The reward system is a core component of human resource management, shaping employee satisfaction, motivation, commitment, performance, and retention. Rewards are broadly classified into monetary rewards (salary, incentives, bonuses, and other financial benefits) and non-monetary rewards (recognition, career development, autonomy, feedback, job security, and work-life balance).

2.1 Monetary Rewards and Employee Retention

Leena (2025), examining employee retention in the telemedicine sector using PLS-SEM on data from 185 healthcare professionals, found that monetary benefits exert a stronger influence on job satisfaction than non-monetary benefits, with job satisfaction in turn mediating the relationship between benefits and retention. Similarly, Pulekar, Kamble, and Savale (2025), studying 250 employees in the Indian organized retail sector, identified compensation — particularly non-traditional elements such as health cover and flexible working hours — as a significant driver of retention alongside organizational culture and career growth.

2.2 Non-Monetary Rewards and Employee Retention

Krishna Prakash, Vijay Raja, and Vishnu Kumar (2025), reviewing employee retention determinants in the Indian IT sector through the lens of the Job Characteristics Model, Self-Determination Theory, and Herzberg's Two-Factor Theory, identified recognition, job autonomy, and supportive work environment as significant retention drivers, concluding that financial compensation alone is insufficient without complementary non-monetary support. Thibault Landry et al. (2017) similarly emphasise that organizations relying solely on cash compensation risk under-motivating employees relative to those that also invest in recognition and intangible rewards aligned with universal psychological needs.

2.3 Reward Fairness, Balance, and Retention

Across this literature, fairness and transparency in reward allocation emerge as a recurring theme. Figueiredo et al. (2025) note that employees respond more positively to reward systems when they perceive an equitable link between contribution and reward, regardless of whether the reward is financial or non-financial. Taken together, these studies suggest that monetary and non-monetary rewards serve complementary rather than substitutable functions: monetary rewards address immediate financial needs, while non-monetary rewards sustain longer-term psychological and professional commitment.

2.4 Research Gap

Existing studies have largely examined monetary and non-monetary rewards independently, and have concentrated on IT, healthcare, and retail settings (Leena, 2025; Krishna Prakash et al., 2025; Pulekar et al., 2025), leaving manufacturing organizations comparatively under-examined. Because employee expectations and working conditions vary across industries, organization-specific evidence is needed. This study addresses that gap by jointly examining monetary and non-monetary benefit preferences and their association with retention within a single manufacturing organization, Unique Punch System (P) Ltd., Nelamangala.

3. Research Methodology

3.1 Research Design

The study adopted a descriptive research design to capture employees' perceptions of monetary and non-monetary reward practices and their association with retention.

3.2 Population and Sample

Data were collected from a sample of 50 employees of Unique Punch System (P) Ltd., Nelamangala, drawn from across departments and job levels.

3.3 Sources of Data

Primary data were collected through a structured questionnaire administered to employees. Secondary data were drawn from textbooks, journal articles, and relevant online sources to inform the theoretical framework.

3.4 Data Analysis Tools

Data were analysed using percentage analysis to summarise employee perceptions, and a chi-square test of independence to examine the association between benefit-type preference (monetary vs. non-monetary) and retention intention (stay: yes/no), tested at the 5% significance level.

3.5 Hypotheses

H₀ (Null): There is no significant relationship between benefit preference and employee retention.

H₁ (Alternative): There is a significant relationship between benefit preference and employee retention.

3.6 Limitations

- Findings are limited to Unique Punch System (P) Ltd., Nelamangala, and may not generalize to other organizations or industries.
- The sample size is limited to 50 employees.
- The study relies on questionnaire responses and may be subject to respondent bias.
- Data were collected within a limited time period, precluding analysis of change over time.
- The study focuses on monetary and non-monetary benefits; other factors influencing retention (e.g., leadership style, organizational culture) were not examined in detail.

4. Data Analysis and Interpretation

4.1 Demographic Profile: Age Distribution

Forty percent of respondents belonged to the 25–35 age group, followed by 24% below age 25; the 36–45 and above-45 groups constituted smaller proportions. The organization has a relatively young workforce, which may carry stronger expectations around career growth, learning opportunities, and recognition — underscoring the relevance of career development and engagement initiatives to retention.

4.2 Salary Satisfaction

Forty percent of employees reported satisfaction with their salary, while 20% were dissatisfied and 20% remained neutral. Although salary satisfaction is net positive, a substantial minority remain unsatisfied, suggesting the organization should periodically review salary structures to maintain perceived fairness and competitiveness.

4.3 Bonus as a Motivator

Employee Agreement That Bonuses Motivate Performance

Response	Frequency	Percentage
Strongly agree	15	30%
Agree	20	40%
Neutral	10	20%
Disagree	5	10%
Total	50	100%

Note. N = 50.

Seventy percent of employees strongly agreed or agreed that bonuses motivate better performance, indicating a positive influence of monetary incentives on motivation.

4.4 Perception of Pay Fairness

Employee Perception That Pay Is Fair Relative to Work

Response	Frequency	Percentage
Strongly agree	12	24%
Agree	18	36%
Neutral	10	20%
Disagree	10	20%
Total	50	100%

Note. N = 50.

Sixty percent of respondents perceived their pay as fair relative to their work, while 20% disagreed and 20% remained neutral, indicating room for greater transparency and perceived fairness in compensation practices.

4.5 Chi-Square Test of Association

Observed Frequencies: Benefit Preference $\times$ Retention Intention

Preference	Stay – Yes	Stay – No	Total
Monetary	12	10	22
Non-monetary	23	5	28
Total	35	15	50

Expected Frequencies

Preference	Stay – Yes	Stay – No
Monetary	15.4	6.6
Non-monetary	19.6	8.4

Note. Expected frequency = (row total $\times$ column total) / grand total.

Chi-Square Computation

Category	O	E	O – E	(O – E) ²	(O – E) ² /E
Monetary – Yes	12	15.4	–3.4	11.56	0.75
Monetary – No	10	6.6	3.4	11.56	1.75
Non-monetary – Yes	23	19.6	3.4	11.56	0.59
Non-monetary – No	5	8.4	–3.4	11.56	1.38
Total					4.47

The calculated $\chi^2 = 4.47$ (df = 1) exceeds the critical value of 3.84 at the 5% significance level. The null hypothesis is therefore rejected: benefit-type preference is significantly associated with employee retention intention. Notably, the pattern of residuals indicates that employees preferring non-monetary benefits were disproportionately more likely to report intending to stay, while those preferring monetary benefits were disproportionately more likely to report not intending to stay — suggesting non-monetary preference is more strongly associated with staying intention in this sample.

5. Discussion

The results indicate a statistically significant association between employee benefit preference and retention intention at Unique Punch System (P) Ltd. This is broadly consistent with the reviewed literature, which finds that both monetary and non-monetary rewards influence retention, but that their relative contribution can differ by context. Whereas Leena (2025) found monetary benefits to be the stronger driver of retention among telemedicine professionals, the present findings — in which non-monetary preference showed a stronger association with staying intention — align more closely with Krishna Prakash et al. (2025) and Thibault Landry et al. (2017), who argue that financial compensation alone is insufficient to retain employees without complementary recognition, autonomy, and supportive working conditions.

This divergence may reflect sectoral differences: in the manufacturing context studied here, once salary is perceived as broadly fair (as 60% of respondents indicated), non-monetary factors such as recognition and job security may carry disproportionate weight in shaping retention decisions — consistent with Pulekar et al.’s (2025) finding that non-compensatory benefits significantly strengthen retention in comparable Indian organizational settings. This underscores Figueiredo et al.’s (2025) broader conclusion that reward systems function most effectively as an integrated, fairness-oriented package rather than as isolated monetary or non-monetary interventions.

6. Findings

- The majority of employees belong to the 25–35 age group, indicating a relatively young workforce.
- A majority of employees are satisfied with their salary, though a notable proportion are not fully satisfied.
- Monetary benefits such as salary, incentives, and bonuses influence employee motivation.
- Seventy percent of respondents agree or strongly agree that bonuses motivate better performance.
- Sixty percent of respondents perceive their pay as fair relative to their work.
- Non-monetary benefits such as recognition, career growth, and work-life balance are important components of retention.
- The chi-square test indicates a statistically significant association between benefit preference and retention ($\chi^2 = 4.47$, $p < .05$).
- Non-monetary benefit preference is more strongly associated with staying intention than monetary preference in this sample.

7. Suggestions

- Periodically review the salary structure to maintain competitiveness and perceived fairness.
- Strengthen performance-based incentive and bonus schemes.
- Introduce a formal employee recognition programme.
- Provide clear career development and promotion pathways.
- Strengthen training and skill-development programmes.
- Improve work-life balance through appropriate leave and working-hour policies.
- Collect employee feedback on reward preferences on a regular basis.
- Integrate monetary and non-monetary rewards into a single, coherent retention strategy.
- Maintain transparency in how incentives and benefits are determined.
- Prioritise career development, training, and recognition initiatives for younger employees.

8. Conclusion

This study demonstrates that both monetary and non-monetary reward systems play a significant role in employee retention at Unique Punch System (P) Ltd., Nelamangala. Monetary benefits provide direct financial motivation, while non-monetary benefits address employees' psychological, professional, and social needs; the chi-square analysis confirms a statistically significant association between benefit preference and retention. Organizations should therefore avoid relying exclusively on financial compensation: a balanced reward strategy that combines competitive monetary benefits with meaningful non-monetary rewards is more likely to sustain employee satisfaction, motivation, and long-term retention. For Unique Punch System (P) Ltd. specifically, strengthening compensation fairness, incentive systems, recognition practices, career development, and work-life balance offers a practical pathway to a more effective retention strategy.

8.1 Scope for Future Research

Future studies could extend this analysis with larger, multi-organization samples across manufacturing sub-sectors, incorporate reliability testing (e.g., Cronbach's alpha) for multi-item scales, and apply correlation or regression techniques to quantify the relative strength of monetary versus non-monetary predictors of retention. Longitudinal designs would help clarify how reward perceptions and retention outcomes evolve over time.

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