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Correlates of Pay Satisfaction with Employee Performance: Patterns of Influence on Bank Managers

Rev. Fr. A. Peter Arockiam, S.J.*, Shivaji Banerjee and Shaunak Roy*****

Abstract

It is a well-documented fact that pay is a significant motivator. Notwithstanding, the notion that higher pay leads to higher satisfaction is not without debate. In common parlance, pay level satisfaction refers to an individual's direct wage and salary compensation and is regarded as one of the most important job attributes for an individual. Therefore, it may be opined that pay satisfaction is a blend of both the monetary as well as non-monetary components, since pay, although by itself is a necessity, but not however, a sufficient condition for job engagement. Accordingly, in this endeavour, we shall seek to examine the dimensions and determinants of pay satisfaction among bank employees, under investigation. We shall also seek to provide a brief insight into the various ethical issues associated with administering pay in private banks, in addition to fathoming how this delicate area under discussion can be as administered in practice. The research is particularly unique, given that very limited studies have been conducted in this domain, especially in the Indian milieu, owing to its rather sensitive disposition and subjective understanding. Further, pay is deemed to be a major determinant of job satisfaction, thus making the study both relevant and purposeful. Our study is based on a meticulous survey of middle-level and top-level employees working in private banks situated in the city of Kolkata, India. A self-administered questionnaire with various items related to the study dimensions was employed to obtain feedback from the respondents. We have been able to identify the most important determinants governing pay in an organization. Further, the findings of our study clearly demonstrate a positive liaison between pay structures and levels of job satisfaction. Interview results further revealed that the respondents expressed discontentment with their salaries in relation to their workload, work-timings, career growth opportunities and organizational commitments. Now, it must be heeded that the study has been conducted on a limited geographical region (Kolkata, India) while being pillared on the perceptions of these bank employees, which are rarely flawless and hence

*Vice-Principal, Department of Commerce and Management Studies, St. Xavier's College (Autonomous), Kolkata;E-mail: peterasj@gmail.com

**Assistant Professor and Head, Faculty of Management, Department of Commerce, St. Xavier's College (Autonomous), Kolkata; E-mail: drshivaji@sxccal.edu

***Assistant Professor, Faculty of Management, Department of Commerce and Business Administration, St. Xavier's College (Autonomous), Kolkata; E-mail: shaunak@sxccal.edu

sport the inherent risk of being imperfect. The study however, furnishes valuable insight into the dimensionalities and determinants of pay satisfaction, while seeking to proffer strategic guidelines to private banks in designing an effective pay structure that would be conducive to employee satisfaction, employee engagement and ensure their retention in the workplace. We have conceptualized pay satisfaction and have used Structural Equation Modelling (SEM) to analyse the data. Results showed favourable responses between all the constructs present in the model. Given that monetary and non-monetary aspects of pay both have a significant impact on pay satisfaction, as evidenced through the path diagram results, satisfaction with pay, in turn has a significant impact on job satisfaction, thereby triggering favourable responses with employee performance. It is thus evident that pay satisfaction, although a silent factor in case of several employees, is a necessary and critical consideration and point of reference when it comes to improving their productivity levels in the enterprise. The study shall help managers and students in understanding the nuances of pay as a critical component in the development of overall job satisfaction and employee performance.

Keywords: Pay satisfaction; job satisfaction; monetary compensation; non-monetary compensation; organizational commitment; attitudinal variables; ethical dimensions

Introduction

Job may be regarded as one of the most critical elements of life for career escalation and financial dynamism of an individual. Indeed, individuals who are dissatisfied with their jobs shall remain inept in setting and actualizing any goals and objectives in their professional career. In the contemporary workplace milieu, one of the most pivotal yet tacit ingredients leading to job satisfaction is the element called 'pay'. It not only serves as a catalyst in accelerating employee job satisfaction, but also elevates organizational success consistently.

Pay Satisfaction is the sine qua non of Job Satisfaction

Practitioners and researchers have long been fascinated by the study of employee satisfaction with regard to pay and associated benefits accruing from their services rendered in the workplace. One of the earliest works in this domain comes from Hoppock (1935) whose germinal inquiry into the realm of job satisfaction revealed that pay dissatisfaction was the most pivotal reasons for voluntary separation across a broad array of occupations.

The success quotient of an organization is not solely attributed to its technical prowess, competencies, state-of-the art machinery, scientifically precise floor layout and vibrant communication flows. Rather, the thrust is gradually budging towards the proportion of success documented by the human resources in an organization. It does not require rocket science for us to gather that a happy and satisfied workforce to an organization is its most valued asset. Besides managerial and technical facets, employees themselves are regarded as the mainstay of a successful organization. In fact, the management must be well-equipped to efficaciously tap the contribution of their employees, such as extending robust working conditions with the intent of boosting their job satisfaction. Simply put, job satisfaction is the intensity to which individuals develop favourable or unfavourable orientations towards their jobs. It is an attitudinal or emotional response to the versatile tasks to be performed, while being a take on the physical and social environment of the workstation. In fact, such a positive feeling about one's job stems from a meticulous appraisal of its appearances. It is thus no surprise that the spotlight automatically falls on pay satisfaction, given that it is one of the pivotal attributes responsible for sustaining such a satiated pool of employees.

Quite a few previous researches have established pay as a fundamental reward to motivate the behaviour of employees. The time-worn concept requires no elaborate explanation. It can be simply stated as the degree to which the actual pay received by an employee corresponds to the deserved amount perceived by the said individual. Although employees' job satisfaction is opined to be an interplay of multiple behavioural factors, satisfaction from pay is an underlined rudiment. Having stated that, we also affirm that the construct of pay satisfaction has a narrower connotation than job satisfaction, even though this variable is closely associated with certain momentous organizational upshots.

Conceptualizing Pay Satisfaction

What is pay? Is it merely confined to take-home pay? Is our salary or associated financial incentives the sole determinant of what governs pay satisfaction? These questions are so pervasive that specific models of pay satisfaction have been developed over the years.

Earlier studies focussed on multiple theoretical models of pay satisfaction. As propounded by Adams (1965), the equity theory advocates that pay satisfaction is a direct correlation of the judgements made by an employee with reference to whether their pay is proportionate with inputs provided and those of fellow others. So pervasive is this view on the importance of pay that specific models of just pay satisfaction have been developed. Lawler (1971, 1986), for example, has presented a perspective that views pay satisfaction as a discrepancy between how much pay one feels one should receive and how much one feels is actually received. In turn, both the 'should receive' and 'is received' components are hypothesized to be influenced by personal (such as experience) and environmental (such as job characteristics) variables. Lawler's model is pillared on the contrast between the individual's (A) perceived amount of pay they should ideally receive and (B) perceived amount of pay actually received. It may be theorized that the individual's comparison of these two factors leads to the following predictions:

A=B: This is a clear case which leads to pay satisfaction

A>B: This is also a straightforward case, which leads to pay dissatisfaction

A<B: This is a complex situation, which leads to guilt, inequity, discomfort

Given that employees in general hold divergent perceptions regarding their definition of pay, there is a strong requirement to develop a theory that standardizes and defines how employees' attitudes are governed by varying pay rates. In this regard, a noteworthy contribution comes from Heneman and Schwab (1979, 1985), whose development of the Pay Satisfaction Questionnaire (PSQ) has eased the measurement of pay satisfaction. This has been evident in an array of pay satisfaction researches pillared on the PSQ from the mid-1980s to the mid-1990s (Ash et al., 1987; Carraher and Buckley, 1996; Judge, 1993; Judge and Welbourne, 1994; Mulvey et al., 1992; Orpen and Bonnici, 1987; Scarpello et al., 1988).

A somewhat modified version of this model, incorporating organizational pay administration policies and practices, has been proposed by Dyer and Theriault (1976). Both general models of job satisfaction and models focusing specifically on pay satisfaction have treated pay as global, unidimensional construct. Reinforcing this unidimensional perspective have been measurement efforts in the area. For example, the two most carefully constructed and well-known job satisfaction measures are the Minnesota Satisfaction Questionnaire or MSQ (Weiss et d. 1967) and the Job Descriptive Index or JDI (Smith et al. 1969). While they have different response formats, each contains multiple items dealing with feelings about pay, and each yields a single total pay satisfaction scale score derived by summing responses to the individual items. Evidence indicates that employee responses to these two scales correlate highly, and that they are differentiable from satisfaction with other outcomes (Dunham et al. 1977; Gillet and Schwab 1975). Both scales have been used frequently in studies on the causes/consequences of pay satisfaction (e.g., Balkin and Gomez-Mejia -1983; Berger and Schwab 1980; Dreher 1981; Dyer and Theriault 1976; Miller et al. 1979; Schwab and Wallace 1974; Weiner 1979, 1980).

Although several researches have agreed with this conception previously, we firmly opine that pay satisfaction encompasses not just the monetary benefits, but more pertinently, the non-monetary benefits as well. Thus, the basic definition of pay, we opine, is a misnomer. In today's complex corporate workplace, employees crave for recognition and appreciation from their peers and superiors more than their take-home pay. This is in conjunction with the fact that people are gradually evolving in the motivational hierarchy. Consider Maslow's pyramid, where employees, very quickly begin to favour their esteem and self-actualization needs, soon after fulfilling their lower-order needs. The same can be evidenced through John Stacey Adam's Equity Theory. Fancy an employee X in an organization, who earns a salary of 200 currency units, while another colleague earns 100 currency units. The equity theory dictates that it is not the actual reward that motivates the individual, but the perception, which again is not centred on the reward in isolation, but in relation to the efforts that were doled out to achieve it, as well as the rewards and efforts of others. Thus, if employee Y perceives that he/she has put in the same amount of effort as employee X and is still subjected to differential pay, it becomes the fount of demotivation and eventual dissatisfaction. This is when employees become disillusioned with their pay and over time, job satisfaction becomes negative.

Let us consider the following equation to elucidate our standpoint further:

$$\mathbf{JS = f\,(W, S, PS, SO, I, R, B, RA, P) + f\,(OE)}$$

The elements in the equation have been defined as follows:

JS= Job Satisfaction; W= Wages; S= Salaries; PS= Profit-Sharing, SO= Stock Ownership Options, I= Incentives; R= Raise; B= Bonus, WR= Workplace Recognition and Appreciation, P= Promotion and OE= Other Elements leading to Job Satisfaction.

We consider pay satisfaction as a holistic concoction of the various elements in the right wing of the equation, such as compensation (wages and salaries, profit-sharing and stock ownership options), incentives (rewards, recognitions and appreciation) as well as promotions (limited, multiple chain or dry). All of these elements collectively result in job satisfaction. The other elements comprise of other intangible elements such as ambient working conditions, organizational culture, and diversity management among other criteria.

Since pay is regarded as one of the pioneering elements of overall job satisfaction, we may deduce that both the constructs are directly correlated to each other, implying that as pay satisfaction increases, job satisfaction increases as well, and vice versa.

Pay Satisfaction in Indian Banks

India's banking sector performance over the past five years since the Global Financial Crisis (GFC) in 2008-2009, reflects a contrasting portrayal in terms of bank ownership. While private sector Indian banks and foreign banks have demonstrated profitability ameliorations, better asset quality trends, lower credit costs and healthy capital levels, state owned public banks (PSU Banks) have been facing declining earnings growth, narrowing profit margins, significant deterioration in asset quality and elevated credit costs. In fact, the dimness in India's banking sector is highly skewed, with bulk of the restructured loans (approximately 80 percent) sitting with small state owned banks, which have just half of the Indian banking system's Tier -1 capital.

Notwithstanding, the Indian economy has borne testimony to the emergence of numerous banks, especially in the private sector. Such phenomenal growth can be attributed to the escalating customer satisfaction, in addition to the sizeable volume of net assets possessed and the efficiency of management by these banks. These influences are validated only when the employees are motivated enough to deliver the best service to their clientele. We shall, in this paper, seek to establish if pay is an important motivator in ensuring their job satisfaction, which, we presume is pivotal to their productivity.

The financial and banking system in India follows a logical salary-based pay structure, where compensation is based on monthly salaries. They are computed and associated with the distinct managerial position occupied by the employee, however, the difference between the supervisory management and middle management is relatively narrower than middle and top management level. In effect, employees belonging to lower managerial positions receive salaries competitive with other local financial institutions, while the top brass boasts of salaries more or less competitive and commensurate with other global commercial banks. The compensation system encompasses both incentives and benefits plans and the component of benefit plans are based chiefly on employer preferences.

Coming back to our deliberations on pay satisfaction, many a few studies in the recent past have pointed out that dissatisfaction with pay translates into diminished job satisfaction, dwindled motivation and performance, augmented rates of absenteeism and turnover intentions. It is for this very reason that pay satisfaction has a significant influence on overall job satisfaction in addition to enhanced motivation and boosted performance.

Literature Review

In order to fully fathom the concept of pay satisfaction, it is rudimentary for us to review some of the existing literature on this construct. We shall therefore, focus on how the concept has evolved over the years.

From the inception of organizational science, pay has been regarded a crucial reinforcement to motivate employee behaviour (Taylor, 1911). Although the premise lost its essence in the late 1920s, the construct gained momentum with Hoppock's (1935) seminal study on job satisfaction, which highlighted the fact that pay-dissatisfaction was the most important reason for voluntary separation across a broad spectrum of occupations.

Katzell (1964) observed that pay satisfaction is pillared on the disparity between perceived pay and the amount of pay individuals believe they should be entitled to.

Vroom (1964) expounded his expectancy theory to shed light on how pay influences future behaviour.

In yet another study by Lawler and Porter (1967), satisfaction with pay appeared to be more of a function of an individual's current pay-positioning relative to his perceived positioning, than of his absolute pay level. In fact, most of the preliminary research on the measurability of pay satisfaction treated the concept as one-dimensional, and focussed on establishing the co-existence between individuals' ascertainment of satisfaction and pay. Given that the orientation was on the antecedents of pay satisfaction, it resulted in the conception of multiple theoretical models in this domain.

Lawler's (1971) discrepancy theory, as the authors have deliberated upon earlier, expounded how individuals correlate satisfaction with their pay.

While certain researchers utilized ad hoc measures designed for individual studies, others such as Schwab and Wallace (1974), Dyer and Theriault (1976) or Weiner (1980) used the pay satisfaction sub-scales of the Minnesota Satisfaction Questionnaire (MSQ) and the Job Descriptive Index (JDI). It was during this time-frame that pay satisfaction started evolving as an intensive area of inquiry.

One study that needs mentioning is that of Weiner (1980), who modified the operationalization of pay equity by using the concept of relative equitable pay as a predictor of pay satisfaction:

$$\text{Relative equitable pay} = \frac{\text{Perceived Amount of pay one should receive} - \text{Perceived amount of pay one receives}}{\text{Perceived amount of pay one receives}}$$

Weiner's model emphasizes in absolute terms, both the perceived discrepancy between the pay that is received and what should be ideally received; and the impact of this discrepancy relative to the individual's pay level.

As mentioned afore, a path-breaking advancement in the study of pay satisfaction came about with the work of Heneman and Schwab (1985), who were pioneers in explicitly conceptualizing pay satisfaction as a multidimensional construct. They initially proposed that pay satisfaction encompasses five distinct dimensions, namely pay level, pay raises, benefits, structure and administration and subsequently developed a twenty-item Pay Satisfaction Questionnaire (PSQ) to quantify this penta-dimensional model. Exploratory factor analysis results revealed that the pay structure and pay administration items loaded on the same factor. This paved the way to a host of further researches in this domain.

Scarpello et al. (1988) compared the PSQ, JDI, and MSQ across multiple samples, and suggested that the PSQ proves to be a more reliable instrument for diagnostic and predictive functions.

The broad avenue of thoughts inspired Miceli and Lane's (1991) dual discrepancy model, which extended the modified discrepancy paradigm by developing discrete models to describe how each pay satisfaction dimension was determined.

Gerhart and Milkovich's (1992) model of compensation decisions and consequences uses similar dimensions suggested by the other multidimensional approaches, but by imbibing a macro-approach to pay satisfaction. Their model highlights that the pay policy decisions made by organizations have implications at the individual, group, and organizational levels.

Taylor and Vest (1992) have also regarded pay as a critical reward to motivate the employee behaviour in organizations. There is still a dearth of a sturdy theoretical basis, which suggests why the dimensionalities of pay satisfaction might have divergent consequences on organization-specific attitudes and behaviours.

Dulebohn and Martocchio (1998) undertook a field study to investigate the perceptual cues of employees' with reference to the fairness of incentive pay plans, whereby they examined the relationship between six antecedent variables, namely, understanding of the pay plan, satisfaction with base pay, organizational commitment, beliefs in the pay plan effectiveness, plan pay out amount, and group identification as well as outcome variables, including appraisal of fairness of both processes associated with the pay plan in addition to the earned pay out amount. The study brought to light that understanding of the pay plan, belief in the pay plan effectiveness, and organizational commitment were associated with perceptions of procedural justice.

In a contemporary review, Heneman and Judge (2000) have suggested that organizational justice may be the missing link in the liaison between pay satisfaction and relevant behavioural and attitudinal consequences. They have put forward that fairness, be it in terms of distributive or procedural justice, is fundamental to ensuring pay satisfaction. Although the precise relationship between justice and pay satisfaction is not defined, the suggestion that justice may provide insight into pay satisfaction offers impetus and strategic direction for pay satisfaction consequence research. In today's globalized world, healthy working conditions, respectful and family oriented work culture, teamwork, support for diversity have occupied a front row seat, thereby coercing the aspect of pay to climb down the perceptual ladder.

Currall et al. (2005) proposed that four dimensions of job satisfaction, specifically, satisfaction with pay rises, benefits, incentives structure and remuneration increment level are individually connected to organizational upshots.

Milkovich and Newman (2008) underlines that employee dissatisfaction with pay can diminish commitment to their job, induce larceny and catalyse turnover. Although, in the current context, pay satisfaction has a relatively lesser impact on overall job satisfaction, salary is definitely a significant factor in the competition for talent.

Also, Green and Heywood (2008) affirmed that performance-centric pay allows opportunities for worker optimization and does not crowd out intrinsic motivation, thus increasing overall satisfaction, satisfaction with pay, and satisfaction with job security.

In a recent study, A'yuninnisa and Saptoto (2015), highlighted that turnover intention was significantly predicted by both pay satisfaction and affective commitment, while the latter was significantly predicted by pay satisfaction. Their model indicated that there were both direct and indirect effects of pay satisfaction on turnover and that affective commitment played an effective role in mediating the relationship between pay satisfaction and turnover intention.

Despite a plethora of studies in the arena of pay satisfaction and its antecedents as well as precedents, it must, however be borne in mind, that very few researches exist in this domain of pay satisfaction in the banking sector, even on the global forum. The demographic impact on some of the pay satisfaction variables are largely unaddressed by erstwhile studies. We shall seek to throw light on some of the gaps in the current endeavour.

Objectives of the Study and Hypothesis Formulation

The present study seeks to probe into the various elements of pay satisfaction and how they are correlated to job satisfaction and finally, employee performance. This is with specific reference to employees working in private banks in the city of Kolkata. Some of the major benefits and incentives offered to bank employees and how important it is for them, shall be analysed using exploratory factor analysis.

On the basis of the aforementioned literature that has been studied and the research gap that persists, the following alternate hypotheses have been developed, as deliberated below.

<u>Monetary Motivators (MM) and Pay Satisfaction (PAYSAT)</u>

Monetary motivators are those elements which seek to motivate employees to strengthen their commitment towards their jobs. They broadly encompass pay and other associated fringe benefits. They are key motivators for existence in the modern workplace and contribute significantly towards raising the satisfaction levels of bank employees. Absence of these factors could eventually lead to dissatisfaction.

Hypothesis 1 (H1): Monetary Motivators have a statistically significant impact on pay satisfaction of bank employees

<u>Monetary Motivators (MM) and Employee Performance (EMPPER)</u>

Monetary motivators, if present are known to typically raise satisfaction levels of employees and hence enhance productivity and efficiency of employees, given their elevated commitment levels. This is known to significantly boost employee performance.

Hypothesis 2 (H2): Monetary Motivators have a statistically significant impact on the performance of bank employees

Non-Monetary Motivators (NMM) and Pay Satisfaction (PAYSAT)

Non-monetary motivators are those intangible elements which also motivate employees. In today's power-hungry workplace, non-monetary motivators such as administrative policies and interpersonal relationships have gained immense traction. They, at par with monetary motivators, significantly contribute towards the pay satisfaction of employees.

Hypothesis 3 (H3): Non-Monetary Motivators have a statistically significant impact on pay satisfaction of bank employees

Non-Monetary Motivators (NMM) and Employee Performance (EMPPER)

These non-monetary motivators also contribute towards the productivity of these bank employees. Elements such as recognition and status have become indispensable in the contemporary workplace. They boost employee performance as well.

Hypothesis 4 (H4): Non-Monetary Motivators have a statistically significant impact on the performance of bank employees

Pay Satisfaction and Job Satisfaction (PAYSAT and JOBSAT)

Eby et al. (2005) identifies pay satisfaction as a surrogate for fairness and justice, which in return has a direct impact on employees' motivation and therefore their job satisfaction. According to Heneman and Schwab (1985), pay structure and administration refers to the hierarchical structures created among pay rates for various jobs in an organization including the way pay is distributed to employees, which in most organizations are administered and allocated by an immediate supervisor. Tremblay et al. (2000) identifies the critical relationship between pay and job satisfaction. Equity theory and organizational justice have been used to theoretically explain these relationships. Employees who feel under-rewarded will endeavour to restore equity by reducing inputs such as increasing absenteeism, coming late to work, taking longer breaks, and decreasing productivity, all of which are very costly for an employer.

Hypothesis 5 (H5): Satisfaction with pay has a significant impact on the job satisfaction of bank employees

Job Satisfaction and Employee Performance (JOBSAT and EMPPER)

According to Nimalathasan and Valeriu (2010), employees, who are satisfied with their job may exert greater efforts towards their organization. To make the best use of people as a valuable resource of the organization, focus must be dedicated to the liaison between the employees and the nature and content of their jobs. The organization and the design of jobs can have a significant effect on the employees in general. Nanda and Brown (1977) have investigated the relevant employee performance indicators at the preliminary recruitment stage. They concluded that the level of job satisfaction and motivation affects the productivity of employees. The high performer demands more attractive packages from the employers.

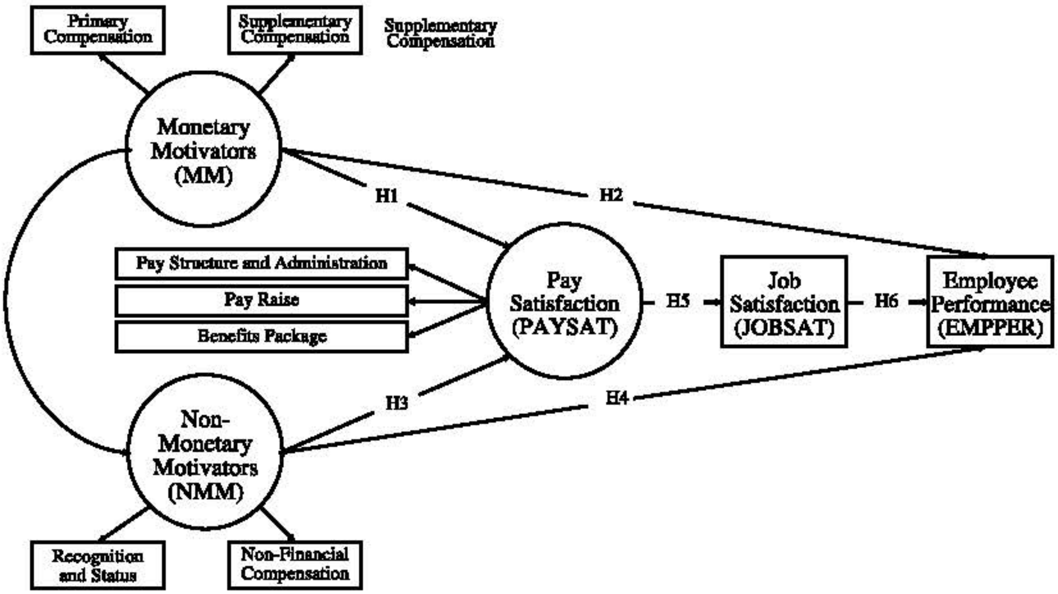

Figure : A Conceptual Model highlighting the Impact of Pay Satisfaction Determinants on Employee Performance

Hypothesis 6 (H6): Satisfaction with the job has a significant impact on the performance of bank employees

These elements have been summarized and captured in the conceptual model illustrated in Exhibit 1:

Research Design and Methodology

The research design relates to the holistic strategy chosen in order to integrate the versatile components of the study in a coherent and logical pattern in an attempt to effectively address the research problem. The research design has been categorized under the following heads to showcase the methodology adopted for the present study.

Respondents

The respondents for the present study were selected from 12 private-sector banks in the city of Kolkata, India. The employees and the banks they work for have been kept confidential in accordance with the covenant while agreeing to fill out the questionnaire. These employees have been broadly categorized into 3 organizational levels ranging from employees in non-managerial positions (8%), junior level managers and officers (29%), middle managers (35%) and senior managers and officers (28%). The gender (male: female) composition of the sample was in the ratio 12:13, with 48% male bank employees and 52% female bank employees. The vast majority of respondents (44%) belonged to the age group of 36-50, and filled up middle-level posts depending on their scale of promotion.

Instruments

To corroborate the conceptual model that has been developed, a series of scales have been used to unfurl employee perception of their satisfaction with pay and how it can lead to job satisfaction.

An Employee Compensation-Based Motivation Questionnaire (ECMQ) has been developed by the authors, which seek to assess the role of compensation which leads to pay satisfaction. In this study, a total of 18 items were used, which measure monetary-motivators (comprising of primary compensation in terms of basic pay in addition to supplementary compensation, comprising of annual bonuses, benefits and perquisites) and non-monetary motivators, comprising of recognition, status and other non-financial elements. All items were presented in a Likert-type format with a scale ranging from 1 (Strongly Agree) to 5 (Strongly Disagree). Cronbach's alpha coefficients for the measures of compensation-based motivators were 0.93 for monetary motivators, 0.85 for non-monetary motivators, 0.80 for primary compensation, 0.73 for supplementary compensation, 0.92 for recognition and 0.87 for non-financial compensation. The results indicate highly reliable results as is evident from the Cronbach's Alpha values, which are all above the ideal level of 0.7. The aggregate correlations of the corrected items are above the moderate level of 0.5.

To measure the dimensions and determinants of pay satisfaction, an upgradation of the standard Pay Satisfaction Questionnaire (PSQ) developed by Heneman and Schwab (1985) has been adopted to address the banking sector more effectively. This shall hereafter be referred to as the Banking Sector Employee Pay Satisfaction (BSEPS) Scale. The questionnaire encompasses 17 items divided into three sub-scales in order to measure three determinants of pay satisfaction: benefits package (6), pay raise (6) and pay structure and administration (5). Items were presented in Likert-type format with a scale ranging from 1 (Strongly Agree) to 5 (Strongly Disagree). Composite scores were computed by summing across items for each subscale, with higher scores indicating higher perceived pay satisfaction for each of three types. Cronbach's alpha coefficients for the three types of pay satisfaction were 0.91 for benefits package, 0.92 for pay raise and 0.89 for pay structure and administration. Cronbach's alpha coefficient for the overall pay satisfaction component was 0.95. The results indicate highly reliable results as is evident from the Cronbach's Alpha values, which are all above the ideal level of 0.7. The aggregate correlations of the corrected items are above the moderate level of 0.5.

The Job Satisfaction Questionnaire has been adopted from the work done by Gregson (1987). He had developed a 30-item questionnaire, which in turn had been fine-tuned from the Job Descriptive Index (JDI) developed by Smith et al. (1969), as a measure to assess job satisfaction. However, unlike the original JDI, we have reduced the number of items in the questionnaire as not all of them are relevant in the context of the present study. It identifies five dimensions of job satisfaction, namely work (4), pay (5), promotion (3), supervision (3), and co-workers (3). Items were presented in Likert-type format with a scale ranging 1 (Strongly Agree) to 5 (Strongly Disagree). Composite scores were computed by summing across items, with higher scores indicating higher overall job satisfaction. Cronbach's alpha coefficient for the overall job satisfaction was computed as 0.88. The results indicate highly reliable results as is evident from the Cronbach's Alpha values, which are all above the ideal level of 0.7. The aggregate correlations of the corrected items are above the moderate level of 0.5.

The Employee Performance Questionnaire has been developed to address the context of the given study. Certain items in the questionnaire have been adopted from the study undertaken by Meyer et al. (1993). The questionnaire contains 12 items to effectively gauge performance of employees as a consequence of their ensuing satisfaction in the job. Items were presented in Likert-type format with a scale ranging 1 (Strongly Agree) to 5 (Strongly Disagree). Composite scores were computed by summing across items, with higher scores indicating higher overall employee performance. Cronbach's alpha coefficient for the overall employee performance was computed as 0.91. The results indicate highly reliable results as is evident from the Cronbach's Alpha values, which are all above the ideal level of 0.7. The aggregate correlations of the corrected items are above the moderate level of 0.5.

Survey Design and Sampling Tools

As noted afore, the study has been undertaken in the city of Kolkata, India. The sample size for the current study is 317 respondents. Questionnaires were initially administered to 332 respondents, but only 317 responses returned were complete, thus giving us a valid response rate of 95.5 percent. The sampling method undertaken has been a blend of probabilistic and convenience sampling, since a fragment of the study had been conducted online as well, which generates responses believed to be rather judgemental in form. The relationships among the different variables were hence analysed using IBM SPSS 23.0 and IBM SPSS AMOS 23.0 software packages.

Data Analysis and Interpretation of Data

Based on the responses obtained from 317 bank employees, we shall analyse our findings to fulfil a wholesome comprehension of our objectives and gain valued insights about the impact of pay satisfaction on employee performance.

Demographic Profile

We shall initially analyse the demographic profiles of the respondents in light of the present study. The study of demographics in relation to the present study shall enable us to understand the dynamic living populace in Kolkata, based on the obtained sample of respondents. This has been captured in Table 1:

Table 1: Table Representing Demographic Profile of Respondents

Demographic Construct	Classification	Population Statistics	Percentage
Gender Classification of Respondents	Male	152	0.48
	Female	165	0.52
	TOTAL	**317**	**1.00**
Age Group of Respondents	25-35	124	0.39
	36-50	139	0.44
	Above 50	54	0.17
	TOTAL	**317**	**1.00**
Monthly Income of Respondents	[illegible]	89	0.28
	INR 50,001 – INR 1,00,000	131	0.41
	Above INR 1,00,000	97	0.31
	TOTAL	**317**	**1.00**

The male-female ratio in our study is moderately balanced in the proportion of 12:13. The age group below 50, which comprises of respondents from 25 years to 50 years, has the maximum number of respondents (n=263; 83%). These respondents are largely observed as employees in middle level and top level managerial positions, mostly belonging to the monthly income cluster of 'INR 50000 to INR 100000' (n=131; 41%).

Descriptive Statistics

After a preliminary investigation of all variables, the accuracy of data entry, missing values, fit between their distributions were scrutinized and accounted for. All assumptions are fulfilled, and all variables were deemed normally distributed. Descriptive statistics and intercorrelations of all measured variables are presented in Table 1.

In accordance with theoretical expectations, the correlations between monetary motivators and both mediating variables were found to be positive ($r = 0.71$ for pay satisfaction and 0.66 for job satisfaction, $p < 0.01$), as well as the association between monetary motivators and employee performance ($r = 0.61$, $p < 0.01$). The association between non-monetary motivators and pay satisfaction was also positive ($r = 0.53$, $p < 0.01$), as well as its association with employee performance ($r = 0.37$, $p < 0.01$). The correlation between pay satisfaction and job satisfaction was also seen to be positive e ($r = 0.74$, $p < 0.01$). Finally, both mediating variables also yielded positive associations with employee performance ($r =$ 0.42 for pay satisfaction and 0.39 for job satisfaction, $p < 0.01$).

Table 2: Table Representing Inter-Correlations of All Variables Measured in the Study

		Correlations											
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
1	**Monetary Motivators**	-											
2	**Primary Compensation**	0.63	-										
3	**Supplementary Compensation**	0.59	0.53	-									
4	**Non-Monetary Motivators**	0.66	0.41	0.38	-								
5	**Recognition**	0.49	0.37	0.34	0.35	-							
6	**Non-Financial Compensation**	0.55	0.63	0.68	0.68	0.39	-						
7	**Pay Satisfaction**	0.72	0.68	0.58	0.59	0.58	0.61	-					
8	**Benefits Package**	0.49	0.48	0.35	0.48	0.47	0.62	0.69	-				
9	**Pay Raise**	0.53	0.51	0.49	0.45	0.52	0.47	0.73	0.31	-			
10	**Pay Structure and Administration**	0.58	0.59	0.47	0.51	0.46	0.49	0.72	0.42	0.38	-		
11	**Job Satisfaction**	0.68	0.58	0.59	0.67	0.70	0.72	0.79	0.69	0.69	0.61	-	
12	**Employee Performance**	0.79	0.63	0.69	0.60	0.58	0.71	0.64	0.71	0.71	0.70	0.71	-

In order to test for internal consistency between the variables mentioned in our study, Cronbach's Alpha has been used. This measure shall help in examining the scale reliability of the constructs used in the study. They have been displayed in Table 3 along with the means and standard deviations.

Table 3:
Table Representing Means, Standard Deviations and Cronbach's Alpha Coefficients of all Measures

	1	2	3	4	5	6	7	8	9	10	11	12
Mean	3.53	2.97	4.17	2.51	3.48	2.89	3.88	2.65	2.97	3.97	3.46	2.22
SD	1.374	1.197	.940	1.344	1.027	1.282	.977	1.188	1.285	.975	1.162	1.277
—	0.93	0.80	0.73	0.85	0.92	0.87	0.95	0.91	0.92	0.89	0.88	0.91

Structural Equation Modelling (SEM)

According to Kline (2016), the rationale of constructing a measurement model relates to its aptness as a measurement instrument of the observed indicators, representing a latent variable. The same was reaffirmed by Hair et al. (2010), where it was observed that in measurement theory, the purpose is to estimate the liaison between the observed and the underlying latent variables. Bentler (1988) had noted that SEM represents causal processes that generate observations on multiple variables. According to Sabir et al. (2011), SEM is known to allow researchers to evaluate how closely a theoretical model fits an actual data set.

The variance-covariance matrix was analysed using the maximum-likelihood estimation and using multiple indices of model fit including the Chi-Square statistic (χ^2), the Standardised root mean square residual (SRMR), the Comparative fit index (CFI), the Goodness-of-fit statistic (GFI), the Adjusted goodness-of-fit statistic (AGFI), Normed-fit index (NFI), the Tucker-Lewis index (TLI) and the Root mean square error of approximation (RMSEA).

Byrne (1998) has asserted that values lower than 0.05 for the SRMR indicate robust models which fit well into the construct. As per Hu and Bentler (1999), a CFI value $\geq$ 0.95 is identified as indicative of good fit. Miles and Shevlin (1998) have recommended a cut-off point of 0.95 for the GFI and Hooper et al. (2008) have proposed values of 0.90 or greater as indicators of good-fit models for the AGFI. Hu and Bentler (1999) had also recommended NFI and TLI values of 0.95 or higher. More recently, Steiger (2007), has recommended a stringent upper limit cut-off of 0.07 for RMSEA.

The results obtained from our study indicated a very good fit by most indices. They have been summarized in the following table.

Table 4: Table representing Model Fit Indices for the Goodness-of-Fit Measures

Goodness of Fit Measure	Recommended Value	Actual Value of Measures	Result of Model Fit
CMIN/DF	-	2.069	Good
SRMR	< 0.05	0.028	Good
GFI	> 0.90	0.969	Good
AGFI	> 0.90	0.939	Good
NFI	> 0.90	0.974	Good
CFI	> 0.90	0.983	Good
RMSEA	< 0.05	0.056	Good

In line with the proposed hypotheses, the standardised parameters of the model are observed to support the positive influence of monetary motivators on pay satisfaction ($\beta = 0.72$, $p < 0.01$), which was positively linked to job satisfaction ($\beta = 0.38$, $p < 0.01$), and in turn, also with employee performance ($\beta = 0.29$, $p < 0.01$). These findings fully support Hypothesis 1 and Hypothesis 2. The model also suggested statistically significant direct impact of non-monetary motivators on **pay satisfaction** ($\beta = 0.66$, $p < 0.01$) and employee performance ($\beta = 0.27$, $p < 0.01$), which is also seen to support Hypothesis 3 and Hypothesis 4. Finally, pay satisfaction positively influenced job satisfaction ($\beta = 0.53$, $p < 0.01$), which in turn positively influenced employee performance ($\beta = 0.39$, $p < 0.01$). These findings support Hypothesis 5 and Hypothesis 6.

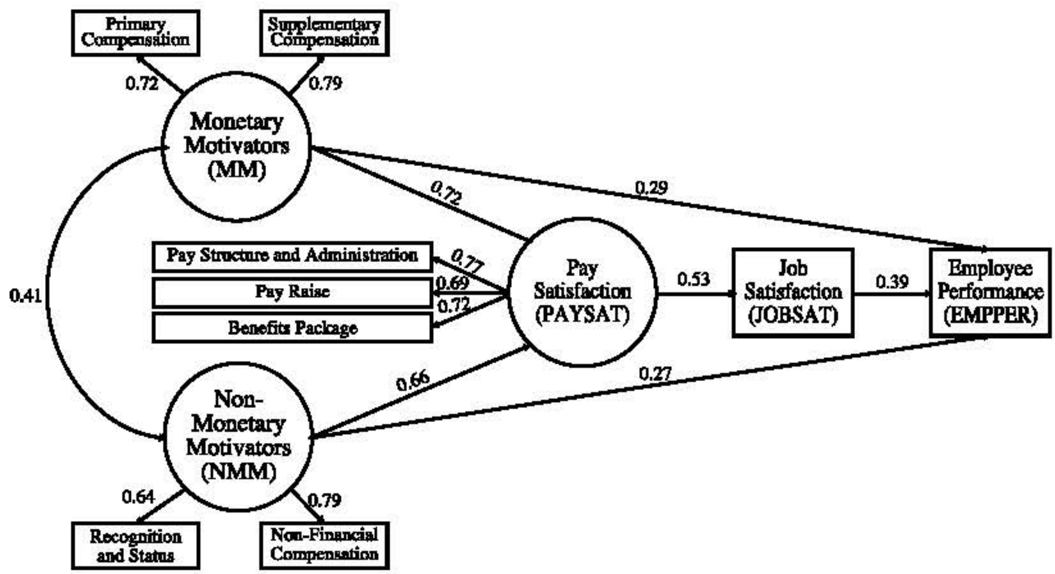

Figure : Path Based on Hypothesized Research Model

Theory suggests that if the model fits the data well enough, the feasibility of each path in the model should be reviewed by examining whether the weights are statistically significant and practically significant, which is evaluated on the basis of whether the effect size estimation (R2) concerning a given path in the models are large enough. Accordingly, the authors have scrutinised the significance and strength of the hypothesized relationships in the research model, with the results of the analysis of the structural model, including path coefficients, path significances, and variance explained for each dependent variable being presented in Exhibit 2.

Path Analysis Results

According to Agresti and Finlay (2009), a path diagram is a pictorial illustration of the theoretical expositions of cause-effect liaisons among a set of variables. Pedhazur (1982) observes that a path diagram is not essential for causal modelling, but helps in better presentation of results. A summary of the hypotheses testing results obtained from the path analysis is displayed in Table 5:

Table 5: Table representing Path Validation (Hypothesis Testing) Results

Hypotheses	Path	β-Coefficient	Direction	Results
H1	MM → PAYSAT	0.72	Positive	Supported
H2	MM → EMPPER	0.29	Positive	Supported
H3	NMM → PAYSAT	0.66	Positive	Supported
H4	NMM → EMPPER	0.27	Positive	Supported
H5	PAYSAT → JOBSAT	0.53	Positive	Supported
H6	JOBSAT → EMPPER	0.39	Positive	Supported

The above table reveals that all the hypotheses have been validated through the path analysis conducted as part of the SEM procedure. They have all been validated and it may be concluded that the various correlates of pay satisfaction are shown to be significantly related to employee performance levels through positive job satisfaction.

Findings and Conclusive Statements

Determining pay of employees is one of the most critical aspects of human resources. It has a significant impact on recruitment, motivation and satisfaction of the employees. Therefore, designing and structuring of an effective system of pay is critical for organizational efficacy. The authors attempted to answer key questions related to the judgments and perceptions about pay satisfaction and whether it has a significant impact on their performance. It was also based on the equity principle, emphasizing the notion that pay satisfaction is a function of the discrepancy between two perceptions; the first is how much pay employees feel they should receive and the second is how much pay they feel they do receive. If these two perceptions are equal, an employee is said to experience pay satisfaction; if a discrepancy exists, then the employee feels dissatisfaction with pay. Overall, the results of the study indicated that respondents of the study seemed to be less satisfied with non-monetary motivators as compared to the monetary counterpart. However, both were found to be statistically significant in their impact on pay satisfaction and hence employee performance. Benefits pay mechanism is shaped by organizational factors such as internal consistency which refers to the pay relationship among jobs within a single organization, and the distributive justice over procedural justice, excluding the contribution of employees in designing, structuring, and administering of the benefits pay system.

Again, job satisfaction is a momentous concept as it encompasses versatile factors associated with pay satisfaction of employees. It is no oddity that satisfaction varies from employee to employee, and the overall satisfaction of bank employees is associated with different factors of job satisfaction which includes nature of job, working environment, salary and incentives linked job, promotional methods, performance appraisal, relationship with other employees and management, and grievance handling. It could be argued that with the change of the determinants of satisfaction, the level of job satisfaction also varies. This study mainly investigated the relation between pay satisfaction as a contributor to job satisfaction with the end result culminating in employee's performance. If employees are satisfied with their job, it will lead to effectiveness and efficiency in their work which leads to increased productivity. The authors conclude that the overall the job satisfaction of bank officers though is not exceptionally high but still satisfactory. However, it is evident that the various elements of pay play a significant role in shaping and enhancing performance of employees. An organization should try to take every possible step to enhance pay satisfaction among employees because if employees are satisfied with their pay then their satisfaction with their jobs also increase, thereby enhancing their effectiveness and performance levels in the organization.

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