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Impact of Pay Inequity on Employee Motivation in the Commercial Banks of Bangladesh

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Abstract: Motivating the employees of an organization is probably the most fundamental task of management because it enables employees to contribute more effectively to achieve the organization's goals. The study's main objective was to evaluate and compare the effects of pay inequity on employee motivation in the conventional and Islamic commercial banks of Bangladesh. Basically, primary data were collected by using a questionnaire survey on 443 respondents from seven commercial banks of Bangladesh. Several statistical tools like mean, standard deviation, t-test, correlation, regression analysis techniques were used to analyse the data. Important findings of the study are: Islamic bank employees are significantly more motivated than those of conventional banks. There was a significant negative association between motivation and pay inequity of both the conventional bank employees and Islamic bank employees. It has been recommended that, proper strategies should be introduced to reduce the feelings of employee pay inequity by administering a rational salary structure which will attempt to maintain fairness in the pay of different types of employees on the basis of their efficiency, effort, quality of job and responsibility discharged, and disseminating information about the problem related to pay fixation and taking the employees into confidence in such matter.

Keywords: Employee motivation, commercial bank, Islamic bank, pay inequality

1. Introduction

Motivation is the force that energizes, directs, and sustains an individual's effort toward the achievement of a goal, and is a critical factor influencing organizational success (Bateman & Snell, 1996). Ryan and Deci (2017) defined employee motivation as the multifaceted process that drives, directs, and sustains employees' efforts toward achieving organizational goals, involving a complex interplay of intrinsic and extrinsic factors. The importance of pay equity in motivating employees cannot be overstated. Numerous studies have underscored the critical role that fair compensation plays in enhancing job satisfaction, engagement, and overall employee well-being (Adams, 1965; Lawler, 1973; Colquitt et al., 2013). When employees perceive that their compensation is commensurate with their contributions, it fosters a sense of fairness and equity, contributing significantly to their motivation.

Several studies have highlighted the existence of pay inequity practices in Bangladesh (Rahman, 2018; Khan & Ahmed, 2020). These practices often manifest in unequal compensation structures across job roles and hierarchical levels within commercial banks. Disparities in pay can result from various factors, including gender-based discrimination (Akhtar & Boksh, 2019), lack of transparent compensation policies, and inadequate performance evaluation mechanisms (Haque et al., 2017). Akhtar and Boksh (2019) found that gender-based pay disparities are prevalent in Bangladesh, with female employees often receiving lower compensation for similar roles compared to their male counterparts. This gender wage gap contributes significantly to overall pay inequity within the commercial banking sector. Rahman (2018) highlighted the absence of transparent compensation policies as a significant contributor to pay inequity. In the absence of clear guidelines, subjective decision-making processes can lead to inconsistencies in salary structures, creating an environment conducive to inequities. Haque et al. (2017) emphasized the role of performance evaluation mechanisms in perpetuating pay disparities. When appraisal systems lack objectivity and fairness, employees may perceive the allocation of rewards as arbitrary, leading to demotivation and a decline in overall work performance. Understanding the implications of pay inequity on motivation becomes essential for cultivating a motivated and engaged workforce.

In the aforesaid context, the present study aims at assessing the impact of pay inequity on employee motivation in the commercial banks of Bangladesh. More specifically, the current study intends: (i) to measure the levels of motivation of conventional and Islamic commercial bank employees in Bangladesh; and (ii) to evaluate and compare the effects of pay inequity on employee motivation in conventional and Islamic commercial banks of Bangladesh.

This study aims to contribute to the existing literature by introducing new concepts that will further our understanding of pay inequity and employee motivation. By examining the interplay of psychological factors, occupational hierarchies, and organizational interventions, the research seeks to provide nuanced insights into how organizations can effectively address pay disparities to enhance employee motivation. This comprehensive approach, integrating both individual and structural perspectives, is anticipated to offer valuable contributions to the field. This study also contributes to the literature by shedding light on the nuances of pay inequity within commercial banks. By examining the sector-specific factors contributing to pay disparities and their impact on employee motivation, the research seeks to provide insights that can inform targeted interventions for reducing pay gaps and enhancing motivation within the unique context of commercial banking.

The rest of the paper has been organized as follows. Section two presents review of literature and hypotheses development; section three explains the conceptual model; section four describes the methodology of the study; section five presents findings and discussion of the study; section six covers implications of the study; and the final section is conclusions of the study followed by limitations and directions for further research.

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2. Literature Review and Hypotheses Development

2.1 Pay Inequity, Monetary Rewards and Employee Motivation

Empirical research shed light on the influence of pay inequity and monetary rewards on employee motivation in many contexts. For example, Okojie's (2009) study on the Nigerian National Library emphasizes the impact of an effective reward system on employee motivation, correlating with increased output and performance. Similarly, Khan and Farooq's (2010) study on Pakistani bank employees reveals a statistically significant positive association between rewards and employee motivation, suggesting that reward systems influence employees to exert optimal effort. On the other hand, Aguinis et al. (2013) assert that monetary rewards significantly determine employee motivation and achievement, leading to positive firm-level performance outcomes. In a field experiment conducted by Beretti et al. (2013), the focus was on investigating the relationship between compensation and employees' motivation. The study illuminated the impact of monetary incentives on fostering a positive work environment, sustaining job interest, and providing a catalyst for improved employee performance. According to the findings, monetary incentives serve as a means to motivate employees, enhance commitment to work performance, and contribute to psychological satisfaction, ultimately influencing job satisfaction. Importantly, the study suggests that these incentives shape employees' behaviour and outlook toward their work within the organization.

Pay inequity, a persistent concern in organizational settings, has garnered increasing attention due to its potential impact on employee motivation (PIEM). Understanding the intricate relationship between pay disparities and motivation is crucial for organizations aiming to create fair and stimulating work environments. The exploration of pay inequity is rooted in various dimensions such as gender, race, and occupation (Blau & Kahn, 2017; O'Neill & O'Neill, 2012). Gender-based wage gaps remain a significant concern, while racial and ethnic disparities further compound the complexity of the issue. Altonji and Blank (1999) emphasize the role of occupation in shaping pay differentials, indicating the multifaceted nature of pay inequity. Likewise, pay inequity can have profound effects on employee motivation, as evident in equity theory (Adams, 1963). The imbalance between input and outcome, exacerbated by pay disparities, can lead to reduced motivation and engagement. Bertrand and Hallock (2001) highlight the psychological impact, where discrimination and bias contribute to a sense of injustice, further influencing employee motivation. Lawler (1973) extended these ideas by emphasizing the importance of internal pay equity, wherein employees assess the fairness of their compensation within the organization. Organizations that prioritize internal equity tend to foster a positive work environment, where employees are motivated to put their best efforts. On the other hand, occupational hierarchies contribute significantly to pay inequity, influencing motivation through perceived fairness (Adams, 1965). Weichselbaumer and Winter-Ebmer (2005) underscore the importance of organizational levels in shaping pay differentials, indicating a need for understanding how hierarchical structures impact employee motivation.

Conversely, the psychological toll of pay inequity extends beyond mere financial considerations, impacting job satisfaction and overall well-being (Budig & Hodges, 2010). Addressing the emotional aspect of pay disparities is essential for comprehensively understanding their influence on employee motivation. Relevantly, Strategies to address pay inequity align with principles of fairness and have the potential to positively impact employee motivation (Blau & Kahn, 2017). Transparent pay structures and equitable compensation practices contribute to a motivating work environment. The promotion of diversity and inclusion within organizations is also identified as a key intervention to reduce pay gaps (Altonji & Blank, 1999).

2.2 The Determinants of Pay Inequity

Pay inequity is a complex issue influenced by various factors. The core variables identified in previous literature are shown in Table 1:

Table 1
The Core Variables Identified in Previous Literature

Determinants	Definitions
Gender	Gender has been a significant factor contributing to pay inequity. Studies have consistently shown disparities in earnings between men and women (Blau & Kahn, 2017).
Occupation and Industry	Pay differences exist across different occupations and industries. Certain professions or sectors may exhibit higher levels of pay inequity (Altonji & Blank, 1999).
Education and Skill Level	Disparities in educational attainment and skill levels can contribute to pay inequity. Education and skills are often linked to earning potential (Goldin et al., 2006).
Race and Ethnicity	Ethnic and racial background can be associated with pay disparities. Minorities may face discrimination, impacting their earning potential (O'Neill & O'Neill, 2012).
Work Experience	The amount of work experience can influence pay differentials. Longer tenure and accumulated experience often correlate with higher wages (Neal & Johnson, 1996).
Job Position and Hierarchy	Within organizations, hierarchical structures and job positions contribute to pay inequity. Executive and managerial roles tend to offer higher compensation (Weichselbaumer & Winter-Ebmer, 2005).
Negotiation Skills	Differences in negotiation skills may affect an individual's ability to secure higher wages (Babcock & Laschever, 2003).
Location/Geography	Geographic location can impact pay levels due to variations in the cost of living (Autor et al., 2016).
Parental Status and Family Responsibilities	Family-related factors, such as parental status and caregiving responsibilities, can contribute to pay disparities (Budig & Hodges, 2010).
Discrimination and Bias	Discrimination and bias, both explicit and implicit, play a crucial role in perpetuating pay inequity (Bertrand & Hallock, 2001).

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2.3 Pay Inequity in Commercial Banks

Pay inequity, a critical issue within the broader spectrum of organizational behaviour, manifests uniquely in specific industries, such as commercial banking. This literature review explores pay inequity in commercial banks to comprehend the intricacies of pay disparities within this sector and their potential implications for organizational dynamics. Commercial banks, as complex organizations, exhibit distinctive factors contributing to pay inequity. Blau and Kahn (2017) note that the financial industry is not immune to gender-based wage gaps. Moreover, Altonji and Blank (1999) emphasize the role of occupation in shaping pay differentials, suggesting that positions within commercial banks may contribute significantly to overall pay inequity.

The influence of pay inequity on employee motivation within commercial banks is of paramount importance. Equity Theory (Adams, 1963) remains a relevant framework, highlighting that discrepancies in compensation within a hierarchical industry like banking may have profound effects on employee motivation. Bertrand and Hallock (2001) stress the psychological impact of discrimination and bias, which may be heightened in a sector like commercial banking. The hierarchical structure of commercial banks plays a pivotal role in shaping pay differentials and subsequently influencing employee motivation (Adams, 1965). Weichselbaumer and Winter-Ebmer (2005) point out that the banking sector's organizational levels may contribute to disparities, impacting how employees perceive their compensation and motivation.

The psychological impact of pay inequity in commercial banks extends beyond monetary considerations, affecting job satisfaction and overall well-being (Budig & Hodges, 2010). Understanding these psychological dimensions is crucial for comprehensively addressing pay disparities and their potential effects on employee motivation within the specific context of commercial banking. Strategies to address pay inequity within commercial banks align with broader organizational efforts. Transparent pay structures and equitable compensation practices, advocated by Blau and Kahn (2017), can positively impact motivation. Additionally, interventions specific to the banking sector, such as addressing gender-based wage gaps, contribute to creating a motivating work environment (Altonji & Blank, 1999).

2.4 Hypotheses Development

On the basis of reviewed literature and experts' opinion, the following specific hypotheses have been framed which have been verified and tested through empirical investigation:

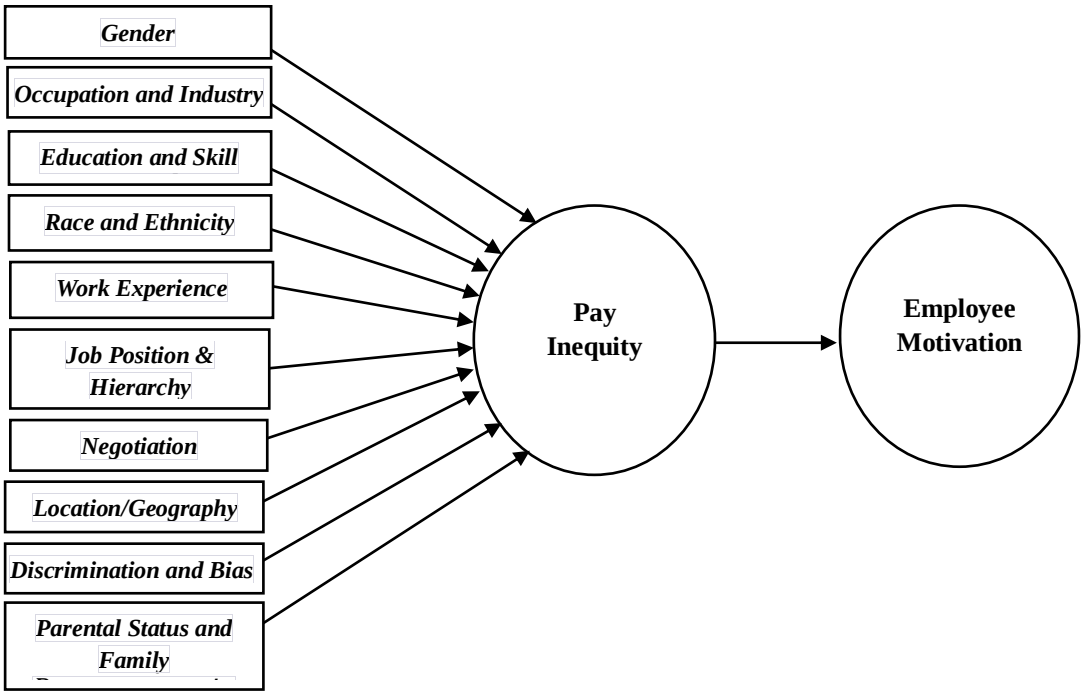
H1: There is an apparent distinction between the level of motivation of Islamic bank employees and conventional bank employees.

H2: The higher the perceived degree of pay inequity of the employees, the lower the motivation of the employees of both Islamic and conventional banks.

3. Conceptual Framework

The conceptual framework for this study draws upon several key elements derived from the literature. The definition of motivation, rooted in the Latin word "Movere" meaning "to move" (Rajput, 2011), serves as the foundational concept. Kamali, Khan, and Khan (2007) contribute to the notion that motivation is an internal drive, leading individuals toward goal-oriented actions, contingent upon the perceived satisfaction achievable through the goal. Latham and Pinder (2004) underscore the interdependence of needs, incentives, and drives in the motivation process, highlighting the systemic nature of motivation.

Figure 1
Conceptual Framework



Adams' Equity Theory, developed in 1965, is an approach to solve this problem, which states that, "employees make comparisons of their job inputs and outcomes relative to those of others. Employees perceive what they get from a job situation (outcomes) in relation to what they put into it (inputs), and then compare their outcome/input ratio with that of relevant others." The basic tenet of Equity Theory is that individuals' desire should be treated equally. The relationship between inputs and outputs for one person in comparison to another should be balanced.

People consider the situation to be equitable (fair) when they believe their ratio is equal to that of others. Tension arises when people feel that their input-to-outcome ratio is

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imbalanced compared to others'. People are motivated by this tension to work toward what they believe to be equity and fairness. Support for this theory is evidenced in studies by Pritchard et al. (1972), which showed that individuals who are overpaid produce more than those who are fairly compensated. Another study on piece-rate of payment shows that "overpaid subjects produce higher quality of fewer quantities than equitably paid subjects" (Adams, 1965). Although fewer studies have examined the underpayment conditions, support for both the hourly and piece-rate predictions have been reported (Lawler, 1973; Pritchard et al., 1972). Previous studies in different settings have identified that pay inequity is influenced by many factors namely gender, occupation and industry, education and skill level, race and ethnicity, work experience, job position and hierarchy, negotiation skill, location/geography, parental status and family responsibilities, discrimination and bias. Therefore, based on the Adam's (1965) Equity Theory, the model of the study is presented in Figure 1.

4. Methodology of the Study

The present study has been conducted to assess and compare the impact of pay inequity on employee motivation in the conventional and Islamic commercial banks of Bangladesh. For the present study, both conventional and Islamic categories of scheduled commercial banks have been considered. There are 61 scheduled commercial banks in Bangladesh at present. Among those, 10 are Islamic Shariah-based commercial banks and the rest 51 are conventional commercial banks (Bangladesh Bank, 2021-22). But, the present study has been confined only within six (6) State-owned conventional commercial banks, thirty three (33) private conventional commercial banks and ten (10) Islamic Shariah-based private commercial banks. It is worthy of mentioning that there is no state-owned Islamic Shariah-based bank in Bangladesh. The present study has also not covered nine (9) Foreign Commercial Banks (FCBs) because these foreign banks are incorporated abroad. Also, these foreign banks have their own corporate cultures which are divergent by nature. The present study also excludes those branches of any commercial bank which have Islamic banking wings.

4.1 Research Design

The present study is basically an exploratory research study that falls under the nature of non-experimental research design. Different random sampling techniques such as Stratified and Multistage Cluster Sampling techniques have been applied to select the banks, branches, districts as well as individual samples of respondents. Disproportionate sampling method has been used to select the respondents from each stratum.

4.2 Sampling

Under the current study, a field survey was carried out on seven locally owned commercial banks (five conventional and two Islamic), using stratified random sampling. Five selected conventional banks from Stratum-I are: Agrani Bank Limited; BRAC Bank

Limited; Dutch-Bangla Bank Limited; Sonali Bank Limited; and City Bank Limited. On the other hand, two selected Islamic banks from Stratum-II are: Al-Arafah Islami Bank Limited; and Islami Bank Bangladesh Limited.

Multistage Cluster Sampling technique has been used randomly to select the branches and respondents. Two divisions, Dhaka and Khulna, were chosen randomly from among the eight divisions to serve as the initial cluster stage. Two districts from each division have been selected randomly as the second stage of the cluster. Thus a total of 28 branches (4x5=20 branches from five conventional banks and 4x2=8 branches from two Islamic banks) have been selected from four (4) districts for the present study. By utilizing Fisher's formula for estimating sample size from a big population, a total of 443 employees (including both male and female) from the conventional and Islamic banks have been chosen which is shown below:

Table 2
The Calculation of the Representative Sample of Respondents

$n = \frac{z^2.p.q}{d^2} X deft.$ $n = \frac{(1.96)^2.(0.6).(0.4)}{(.05)^2} X\ 1.2$ n= 368.7936 x 1.20 n= 442.55232 or, n= 443	Where, n = Sample size p = Proportion belonging to specified category (being motivated) = 0.6 (on the basis of past literature review in the respective field); q = (1-p) = Proportion not belonging to specified category = 0.4; z = Level of significance considered @ 5% = 1.96 (table value of z at 5% levelof significance) d = acceptable error/precision (0.05 is considered since the estimate should be within 5% of true value); deft.= design effect for multi stage cluster sampling (1.2 is considered on the basis of experts opinion to minimize the sampling error);

Source: Islam, M. N. (2011, p.140)

It would be better if the number of employees could be selected from each stratum on the basis of proportionate random sampling. But there is so much proportional gap between two strata (Almost 80% of banks belonged to stratum-1 and 20% belonged to stratum-2). So, it seemed to be justified to select respondents on the basis of disproportionate random sampling. This is supported by Zikmund (2011). On the basis of the above justification, 300 respondents (67%) from conventional banks and 143 respondents (33%) from Islamic banks (among all of the total 443 respondents) have been selected on the basis of disproportionate random sampling to conduct the survey. The number of employees from each sample bank has also been selected by using disproportionate random sampling technique. This calculation is done on the basis of the guidelines provided by Zikmund (2011).

Selection of Individual Sample Units: The employees have been selected on a

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random sampling basis from each selected branch of surveyed banks excluding those who have less than two years of job experience. Table 2 shows the distribution of respondents bank-wise, stratum-wise, and division-wise.

Table 3
Distribution of Respondents Bank-Wise, Stratum-Wise and Division-Wise

Inter-Strata Category of Banks	Intra-Strata Category of Banks	Name of the Surveyed Banks	Division-Wise Respondents		Total
			Dhaka Division	Khulna Division	
Five Conventional Banks (N=300; 67.7%)	Public Conventional Banks	1. Agrani Bank Ltd.	34 (7.7%)	26 (5.9%)	60 (13.5%)
		2. Sonali Bank Ltd.	45 (10.2%)	35 (7.9%)	80 (18.1%)
	Private Conventional Banks	3. BRAC Bank Ltd.	24 (5.4%)	26 (5.9%)	50 (11.3%)
		4. The City Bank Ltd.	25 (5.6%)	25 (5.6%)	50 (11.3%)
		5. Dutch-Bangla Bank Ltd.	30 (6.8%)	30 (6.8%)	60 (13.5%)
Two Islamic Banks (N=143; 32.3%)	Islamic Banks	1. Al-Arafah Islami Bank Ltd.	30 (6.8%)	30 (6.8%)	60 (13.5%)
		2. Islami Bank Bangladesh Ltd.	43 (9.7%)	40 (9.0%)	83 (18.7%)
Total (N=443; 100%)	= 7 (Seven Banks)		231 (52.1%)	212 (47.9%)	443 (100%)

Source: Field Survey

4.3 Data Collection and Analyses

This study is basically a field study. Both primary and secondary sources of data have been used to get the data. A specially designed questionnaire has been used for collecting primary data. The data related to employees' motivation and related variables have been collected by using two scales namely: (1) the scale for measuring motivation using Expectancy Theory (Nadler and Lawler, 1977); and (2) the scale for measuring pay inequity. The Statistical Packages for Social Science (SPSS) and STATA software were used to analyse the collected data. Several statistical tools like mean, standard deviation, t-test, correlation, and regression analysis techniques have been used to analyse data. Tables and bar charts have been used to process the analysed data.

Regression Models
Two regression models were developed and tested separately for conventional and Islamic bank employees.

$$\boldsymbol{EmpMot\_Con = \alpha_0 + \beta_1 Ext + \beta_2 Int + \beta_3 Conv + \beta_4 Gen + \beta_5 Edu + \eta} \quad \boldsymbol{-----1}$$

Where,
$EmpMot_{Con}$ = Employee motivation for conventional banks;
α_0 = The constant term in the regression equation;
$\beta_1 Ext$ = Coefficient of external factor for perceived pay inequity;
$\beta_2 Int$ = Coefficient of internal factor for perceived pay inequity;
$\beta_3 Conv$ = Coefficient of conventional bank employees;
$\beta_4 Gen$ = Coefficient of gender;
$\beta_5 Edu$ = Coefficient of level of education of respondents, and
η = Error term.

$$\boldsymbol{EmpMot\_Isl = \alpha_0 + \beta_1 Ext + \beta_2 Int + \beta_3 Isl + \beta_4 Gen + \beta_5 Edu + \eta} \quad \boldsymbol{-----2}$$

Where,
$EmpMot_{Isl}$ = Employee motivation for Islamic banks;
α_0 = The constant term in the regression equation;
$\beta_1 Ext$ = Coefficient of external factor for perceived pay inequity;
$\beta_2 Int$ = Coefficient of internal factor for perceived pay inequity;
$\beta_3 Conv$ = Coefficient of conventional bank employees;
$\beta_4 Gen$ = Coefficient of gender;
$\beta_5 Edu$ = Coefficient of level of education of respondents; and
η = Error term.

Table 4
Mean Score of Employees' Motivation of Different Types of Surveyed Banks

Organization Category		Number of Respondents (N)	Mean Motivation Score of the Employees	Std. Deviation
Sub-stratum of Conventional Banks	Public Conventional Banks	140	51.81	24.21
	Private Conventional Banks	160	58.54	25.69
Sub-total of All Conventional Banks		**300**	55.4	25.2
All Islamic Banks		**143**	70.26	22.98
Total of All Surveyed Banks		443	60.2	25.45

Source: Field Survey

The summarized motivation score of the employees of both conventional and Islamic banks are shown in Table 4. It shows that the overall mean motivation score of both conventional and Islamic bank employees together was 60.2. The results also reveal that the mean motivation score of all surveyed conventional bank employees was 55.4 and it was 70.26 for the Islamic bank employees. Among different types of conventional banks, private conventional bank employees' motivation score was higher (58.54) than the public conventional bank employees (51.81). All the employees' mean motivation score was above average (Table 4) where the average score was 27 and the maximum score was 125 as per the calculation method of the scale for measuring motivation (Nadler and Lawler, 1977).

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Table 5
Mean Difference of Employees' Motivation Score Between Two Main Strata of Commercial Banks (Conventional and Islamic Banks)

Organization Category	Number of Respondents (N)	Mean Motivation Score of the Employees	Std. Deviation	t	df	p
Conventional Banks	300	55.4	25.2	-6.163**	441	<.001
Islamic Banks	143	70.26	22.98			

** t-test is significant at the 0.01 level.
Source: Table 4

The mean motivation scores of motivation of both conventional and Islamic bank employees were compared together with the help of t-test. Table 5 reveals that the level of motivation of Islamic bank employees was significantly higher (70.26) than that of conventional bank employees (55.4) (p<.01) i.e. Islamic commercial bank employees are significantly more motivated than their counterparts.

Table 6
Mean Differences of Employees' Motivation Score of Different Sub-Strata of Commercial Banks

Organization Category	Number of Respondents (N)	Mean Motivation Score of the Employees	Std. Deviation	t	df	p
Public Conventional Banks	140	51.8	24.21	-6.574**	281	<.01
Islamic Banks	143	70.3	22.98			
Private Conventional Banks	160	58.5	25.69	-4.189**	301	<.01
Islamic Banks	143	70.3	22.98			
Public Conventional Banks	140	51.8	24.21	-2.326*	298	<.05
Private Conventional Banks	160	58.5	25.69			

*. t-test is significant at the 0.05 level.
**. t-tests are significant at the 0.01 level.
N.B.: The figure in the parenthesis indicates the actual p-value.

It is evident from Table 6 that the level of motivation of Islamic bank employees was significantly higher (70.3) than that of public conventional bank employees (51.8). The t-test was highly significant at the 0.01 level (p <.001). The table further indicates that the level of motivation of Islamic bank employees (70.3) was significantly higher than that of private conventional bank employees (58.5). The t-test was highly significant at the 0.01 level (p <.001). A comparison was also made among the sub-strata of conventional bank employees (between public and private conventional bank employees) to compare their mean motivation scores with the help of t-test. It appears from the above table that private conventional bank employees are more motivated (58.5) than the public conventional bank employees (51.8). The t-test for this comparison was significant at the 0.021 level (p <.05).

Table 7
Correlation Among Independent, Mediating and Dependent Variables of Both Conventional and Islamic Bank Employees (N=443)

	Motivation	Q1	Q2	IBE	CBE	Gender	Education
Motivation	1						
Q1	-0.7477*	1					
	0.00						
Q2	-0.4893*	0.3583*	1				
	0.00	0.00					
IBE	0.2733*	-0.1914*	-0.1048*	1			
	0.00	0.0001	0.0274				
CBE	-0.2733*	0.1914*	0.1048*	-1.0000			
	0.00	0.0001	0.0274	1.0000	1		
Gender	0.1102*	-0.1047*	-0.1002*	0.1605*	-0.1605*	1	
	0.0203	0.0276	0.035	0.0007	0.0007		
Education	0.1121*	-0.0281	-0.0523	0.1463*	-0.1463*	0.0787	1
	0.0183	0.5555	0.2717	0.0020	0.0020	0.0981	

. * Correlation is significant at the 0.05 level.

Note: Q1= My pay is less considering other organizations in this area; Q2 = My pay is less considering other people in this organizations; IBE = Islamic bank employees; and CBE = Conventional bank employees.

Pearson's Product Moment Correlation Matrix in Table 7 shows the correlation coefficients among different independent, moderating, and dependent variables for both conventional and Islamic bank employees. The table includes independent variables such as questions related to employee pay inequity i.e., Q1, Q2, gender, and education; two mediating variables i.e., Islamic and conventional bank employees, and one dependent variable i.e., employee motivation.

Independent variable Q1, i.e., "My pay is less considering other organizations in this area" has a strongly negative correlation with motivation (-0.7477*), suggesting that as Q1 increases, motivation tends to decrease. Q2, i.e. "My pay is less considering other people in this organizations" also has a negative correlation with motivation (-0.4893*), indicating that higher values of Q2 are associated with lower motivation. Islamic bank employees have a positive correlation with motivation (0.2733*), suggesting that more experienced employees of Islamic banks are associated with higher motivation. On the other hand, conventional bank employees have a negative correlation with motivation (-0.2733*), implying that more experienced employees of the conventional banks are associated with lower motivation. The variable of gender has a positive correlation with motivation (0.1102*), indicating that certain gender characteristics are associated with higher motivation. Education has a positive correlation with motivation (0.1121*), suggesting that highly educated employees are associated with higher motivation. All the correlation coefficients are statistically significant at the 0.05 level, implying that the observed correlations are unlikely to have occurred by chance. Overall, this information provides insights into the relationships between motivation and various factors (Q1, Q2, Islamic and conventional perspectives, gender, and education) among employees in both conventional and Islamic banks.

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Table 8

Correlation Among Independent, Mediating and Dependent Variables of Conventional Bank Employees (N=300)

	Motivation	Q1	Q2	CBE	Gender	Education
Motivation	1					
Q1	-0.7477*	1				
	0.00					
Q2	-0.4893*	0.3583*	1			
	0.00	0.00				
CBE	-0.2733*	0.1914*	0.1048*	1		
	0.00	0.0001	0.0274			
Gender	0.1102*	-0.1047*	-0.1002*	-0.1605*	1	
	0.0203	0.0276	0.0350	0.0007		
Education	0.1121*	-0.0281	-0.0523	-0.1463*	0.0787	1
	0.0183	0.5555	0.2717	0.0020	0.0981	

* Correlation is significant at the 0.05 level.

Note: Q1= My pay is less considering other organizations in this area; Q2 = My pay is less considering other people in this organizations; and CBE = Conventional bank employees.

Table 8 is also a Pearson's Product Moment Correlation Matrix, but it specifically focuses on conventional bank employees. The correlation of Q1 with motivation is -0.7477, indicating a strong negative correlation (as the perception that when pay inequity increases, motivation decreases). The correlation of Q2 with motivation is -0.4893, also indicating a negative correlation, but less strong than that with Q1. The moderating variable conventional bank employees has a negative correlation with motivation (-0.2733), but has a positive correlation with independent variables Q1 (0.1914) and Q2 (0.1048). Gender shows positive correlations with motivation, and negative correlations with Q1, Q2, and conventional bank employees. Education shows positive correlations with motivation and significant negative correlations with conventional bank employees. The negative correlation with conventional bank employees suggests that those with higher education might perceive their pay to be less. All of the correlations are significant at the 0.05 level, meaning that the observed correlations are unlikely to have occurred by chance.

Table 9 is a Pearson's Product Moment Correlation Matrix, specifically focusing on Islamic Bank Employees. Here's the interpretation. The correlation of the independent variable Q1 with motivation is -0.7477, indicating a strong negative correlation (as motivation decreases, the perception that pay is less increases). The correlation of the independent variable Q2 with motivation is -0.4893, also indicating a negative correlation, but less strong than with Q1. The moderating variable Islamic Bank Employees has a significantly positive correlation with motivation (0.2733) and has a negative correlation with Q1 (-0.1914) and Q2 (-0.1048). Gender shows correlations with motivation, Q1, Q2, and positively with Islamic bank employees. Education shows correlations with motivation, Q1, Q2, and positively with Islamic bank employees. All the correlations are significant at the 0.05 level, meaning that the observed correlations are unlikely to have occurred by chance. In this context, it suggests that there is a statistically significant relationship between the variables.

Table 9

Correlation Among Independent, Mediating and Dependent Variables of Islamic Bank Employees (N=143)

	Motivation	Q1	Q2	IBE	Gender	Education
Motivation	1					
Q1	-0.7477*	1				
	0.00					
Q2	-0.4893*	0.3583*	1			
	0.00	0.00		1		
IBE	0.2733*	-0.1914*	-0.1048*			
	0.00	0.0001	0.0274			
Gender	0.1102*	-0.1047*	-0.1002*	0.1605*	1	
	0.0203	0.0276	0.035	0.0007		
Education	0.1121*	-0.0281	-0.0523	0.1463*	0.0787	1
	0.0183	0.5555	0.2717	0.002	0.0981	

* Correlation is significant at the 0.05 level.

Note: Q1= My pay is less considering other organizations in this area; Q2 = My pay is less considering other people in this organizations; and IBE = Islamic bank employees.

Table 10

Effect of Pay Inequity on Motivation of Conventional Bank Employees

Source	SS	df	MS	Model Summary	
				Number of observations = 443	
Model	186246.33	11	16931.49	F(11, 431) = 73.01, Prob > F = 0	
Residual	99958.110	431	231.9214	R-squared = 0.6507	
Total	286204.44	442	647.5214	Adj R-squared = 0.6418	
				Root MSE = 15.229	
Motivation	**Coef.**	**Std. Err.**	**T**	**P>t**	**[95% Conf. Interval]**
Q1					
2: Agree	-16.0659	5.980669	-2.69	0.008	-27.8208 -4.31103
3: Undecided	-27.4146	6.062296	-4.52	0	-39.33 -15.4993
4: Disagree	-43.9831	5.997313	-7.33	0	-55.7708 -32.1956
5: Strongly Disagree	-62.4638	6.254224	-9.99	0	-74.7564 -50.1713
Q2					
2: Agree	-18.6733	4.154002	-4.5	0	-26.8379 -10.5087
3: Undecided	-27.1209	4.223126	-6.42	0	-35.4215 -18.8205
4: Disagree	-34.7314	4.560623	-7.62	0	-43.6953 -25.7677
5: Strongly Disagree	-12.9807	9.825766	-1.32	0.187	-32.2931 6.331628
Conventional	-6.89441	1.633207	-4.22	0	-10.1045 -3.68437
1. Gender	0.147789	1.961694	0.08	0.94	-3.70789 4.003468
2. Education	4.69672	2.747228	1.71	0.088	-0.7029 10.09636
Constant	119.371	8.003786	14.91	0	103.6402 135.1028

Note: Q1= My pay is less considering other organizations in this area; Q2 = My pay is less considering other people in this organizations.

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Table 10 shows the effect of pay inequity on the motivation of conventional bank employees. Regarding model summary, the F-statistic tests the overall significance of the model. In this case, the F-statistic is 73.01, and the associated p-value (Prob> F) is 0, indicating that the model is statistically significant. R-squared and Adjusted R-squared are measures of how well the independent variables explain the variation in the dependent variable. In this case, R-squared is 0.6507, suggesting that approximately 65.07% of the variability in motivation is explained by the model.

Q1 and Q2 Categories (2, 3, 4, 5): These represent the different levels or categories of responses to questions about pay inequity. The coefficients associated with each category indicate the change in the dependent variable (motivation) compared to the reference category (1: Strongly Agree). For example, in Q1, compared to the reference category (1: Strongly Agree), the motivation decreases by -16.06593 for respondents who "Agree," -27.41462 for "Undecided," -43.98319 for "Disagree," and -62.46382 for "Strongly Disagree." Similarly, for Q2, the coefficients represent the change in motivation compared to the reference category (1: Strongly Agree).

The coefficient of the conventional bank employees is -6.894411, suggesting a decrease in motivation for conventional employees compared to a reference group. Regarding the effect of gender and education on motivation, based on the p-values (T and P > |T|), they are not statistically significant in conventional banks meaning their impact on motivation is not strongly supported by the data.

Table 11
Effect of Pay Inequity on Motivation of Islamic Bank Employees

Source	**SS**	**df**	**MS**	**Model Summary**		
Model	186246.338	11	16931.49	Number of observations = 443		
				F(11, 431) = 73.01		
Residual	99958.1102	431	231.9214	Prob > F = 0		
				R-squared = 0.6507		
Total	286204.448	442	647.5214	Adj R-squared = 0.6418		
Motivation	**Coef.**	**Std. Err.**	**T**	**P>t**	**[95% Conf.**	**Interval]**
Q1						
2: Agree	-16.07	5.98	-2.69	0.01	-27.82	-4.31
3: Undecided	-27.41	6.06	-4.52	0.00	-39.33	-15.50
4: Disagree	-43.98	6.00	-7.33	0.00	-55.77	-32.20
5: Strongly Disagree	-62.46	6.25	-9.99	0.00	-74.76	-50.17
Q2						
2: Agree	-18.67	4.15	-4.50	0.00	-26.84	-10.51
3: Undecided	-27.12	4.22	-6.42	0.00	-35.42	-18.82
4: Disagree	-34.73	4.56	-7.62	0.00	-43.70	-25.77
5: Strongly Disagree	-12.98	9.83	-1.32	0.19	-32.29	6.33
Islamic	6.89	1.63	4.22	0.00	3.68	10.10
1. Gender	0.15	1.96	0.08	0.94	-3.71	4.00
2. Education	4.70	2.75	1.71	0.09	-0.70	10.10
Constant	112.48	7.87	14.30	0.00	97.02	127.94

Note: Q1= My pay is less considering other organizations in this area; Q2 = My pay is less considering other people in this organizations.

Table 11 shows the effect of pay inequity on the motivation of Islamic bank employees. According to the model summary, the F-statistic is 73.01, and the associated p-value (Prob> F) is 0, indicating that the model is statistically significant. R-squared is 0.6507, suggesting that approximately 65.07% of the variability in motivation is explained by the model. Regarding Q1 and Q2 Categories (2, 3, 4, 5), similar to table 10, these coefficients represent the change in motivation compared to the reference category (1: Strongly Agree). In Q1, compared to the reference category (1: Strongly Agree), the motivation decreases by -16.07 for respondents who "Agree," -27.41 for "Undecided," -43.98 for "Disagree," and -62.46 for "Strongly Disagree." Regarding Q2 Categories (2, 3, 4, 5), the coefficients represent the change in motivation compared to the reference category (1: Strongly Agree). Regarding the "Islamic" status of bank employees, the coefficient 6.89 suggests an increase in motivation for Islamic employees compared to a reference group. In summary, the regression results suggest that responses to questions about pay inequity (Q1 and Q2), Islamic status, and the intercept (constant) have significant associations with employee motivation among Islamic bank employees. The coefficients and statistical significance provide insights into the strength and direction of these relationships.

Table 12
Summary Results of All Tested Hypotheses

Hypotheses	References of Tests	Results	Decisions
Hypothesis -1	Employees' Mean Motivation scores and their t-tests (Table-3, 4 & 5)	t-tests were significant at 5% level of significance	Null hypothesis (H0-1) rejected and alternative hypothesis (H1-1) accepted.
Hypothesis -2	Negative correlation of the hypothesized variable (i.e., pay inequity) with employees' motivation (Table 6, 7 & 8). Contribution of the hypothesized variable (i.e. pay inequity) on employees' motivation (Table 9 & 10).	The t-ratio of the correlation was significant at 5% level of significance. So, the variable has significant negative correlation with and height contribution on employees' motivation (Table 9 &10).	Null hypothesis (H0-2) rejected and alternative hypothesis (H1-2) accepted.

The decisions column in Table 12 indicates that the mean motivation scores were significantly different between conventional and Islamic bank employees. Further, pay inequity showed a significant negative correlation and had a substantial contribution to employees' motivation.

5. Findings and Discussion

Both the conventional bank employees and Islamic bank employees were highly motivated (Table-4). The finding that both conventional bank employees and Islamic

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bank employees were highly motivated aligns with existing literature on employee motivation in the banking sector. Research has consistently emphasized the importance of motivation in enhancing job performance, satisfaction, and overall organizational effectiveness (Latham & Pinder, 2004; Sekhar et al., 2013). The positive motivation levels observed in both types of banks may be attributed to various factors supported by the literature.

Motivation of the Islamic bank employees was found to have significantly higher than that of the conventional bank employees (Table-5). The finding that motivation among Islamic bank employees is significantly higher than that of conventional bank employees is noteworthy and can be examined in the context of existing literature on employee motivation, organizational culture, and the unique characteristics of Islamic banking. Research suggests that the cultural and ethical dimensions of Islamic banking may contribute to higher employee motivation. Islamic banks often operate based on Shariah-compliant principles, emphasizing ethical and socially responsible practices (Haque et al., 2017). This alignment of organizational values with employees' personal values may enhance the sense of purpose and job satisfaction, ultimately leading to higher motivation (Ryan & Deci, 2017).

The finding that Islamic bank employees exhibit significantly higher motivation compared to both public conventional bank employees and private conventional bank employees, as well as the further distinction that employees of private conventional banks are significantly more motivated than employees of public conventional banks, can be analyzed in the context of existing literature on motivation, organizational culture, and the banking sector. Islamic banking, with its emphasis on ethical and Shariah-compliant practices, is characterized by a unique organizational culture that may contribute to higher motivation levels among its employees (Haque et al., 2017). The alignment of organizational values with employees' personal values, combined with the ethical nature of Islamic banking, may create a more motivating work environment (Ryan & Deci, 2017). The observed differences in motivation levels across different types of banks align with research highlighting the impact of organizational culture on employee motivation. Studies have suggested that a positive organizational culture, emphasizing shared values and a sense of purpose, can significantly influence employee motivation (Moorhead & Griffin, 1989). Islamic banks, as distinct entities with a unique organizational culture, may foster higher motivation compared to their conventional counterparts.

It has also been found (Table 7) that motivation has a significantly strong negative correlation with perceived ‘pay inequity’. The finding that motivation has a significantly strong negative correlation with perceived 'pay inequity' is consistent with existing literature on the relationship between employee motivation and various aspects of compensation and fairness perceptions within organizations. Research has consistently shown that perceptions of inequity, especially in the context of pay, can have detrimental effects on employee motivation and job satisfaction (Adams, 1963; Greenberg, 1989). Equity Theory, proposed by Adams (1963), suggests that employees compare their inputs and outcomes (including pay) to those of their colleagues and may feel demotivated if

they perceive inequities in these comparisons. This theory supports the notion that a negative correlation exists between motivation and perceived pay inequity. Several studies have highlighted the importance of fair and equitable compensation practices in maintaining high levels of employee motivation (Colquitt et al., 2013; Lawler, 1973). When employees perceive that they are fairly compensated for their contributions, it positively impacts their motivation levels. Conversely, a perception of pay inequity can lead to demotivation, as employees may feel undervalued and unfairly treated. The strong negative correlation between motivation and perceived pay inequity aligns with the broader literature on organizational justice. Employees' perceptions of fairness, including distributive justice related to pay, significantly influence their motivational levels (Colquitt et al., 2013; Greenberg, 1989). This suggests that organizations need to pay attention to fairness in compensation practices to maintain a motivated workforce. Furthermore, the finding resonates with studies emphasizing the role of rewards and recognition in motivating employees (Lawler, 1973). Perceived pay inequity can undermine the effectiveness of reward systems and decrease employees' motivation to perform at their best.

There was a positive correlation of Islamic bank employees with motivation (Table 9) but a negative correlation of conventional bank employees with motivation (Table 8). The finding of a positive correlation between Islamic bank employees and motivation, in contrast to a negative correlation between conventional bank employees and motivation, can be explored in the context of existing literature on organizational culture, values alignment, and employee motivation in Islamic and conventional banking sectors. Islamic banks, with their distinct ethical principles and Shariah-compliant practices, often foster a unique organizational culture that may contribute to a positive correlation with employee motivation (Haque et al., 2017). Research suggests that when employees perceive a strong alignment between their personal values and the values promoted by their organization, it positively influences their motivation (Ryan & Deci, 2017). The positive correlation observed among Islamic bank employees aligns with studies emphasizing the role of organizational culture in influencing motivation. A positive and values-driven organizational culture is associated with higher levels of employee engagement and motivation (Moorhead & Griffin, 1989). Islamic banks, by adhering to ethical and Shariah-compliant practices, may create a work environment that resonates positively with employees, contributing to their higher motivation levels. Conversely, the negative correlation found among conventional bank employees suggests that certain aspects of the organizational culture or practices in conventional banking may be associated with lower motivation levels. Conventional banks may face challenges related to issues such as hierarchy, bureaucracy, or perceived lack of ethical considerations in their practices. These factors have been linked to decreased employee motivation in previous research (Latham & Pinder, 2004).

Employees’ perceived pay inequity with other organizations (Q1) has a stronger negative correlation with motivation than the variable of perceived pay inequity with other employees in the same organization (Q2). The finding that employees' perceived

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pay inequity with other organizations (Q1) has a stronger negative correlation with motivation compared to the variable of perceived pay inequity with other employees in the same organization (Q2) can be examined in the context of existing literature on pay perception, organizational justice, and its impact on employee motivation. Research on organizational justice suggests that employees are highly sensitive to perceptions of fairness and equity in compensation (Colquitt et al., 2013). The strong negative correlation observed with Q1 aligns with the idea that when employees perceive disparities in pay compared to other organizations, it may lead to a more pronounced negative impact on their motivation. This finding is consistent with Equity Theory, which posits that individuals compare their inputs and outcomes with those of others, and inequities can result in demotivation (Adams, 1963). Numerous studies have highlighted the significance of internal pay equity within organizations (Greenberg, 1989). The weaker negative correlation observed with Q2 may suggest that while perceived pay inequities within the same organization still impact motivation negatively, employees may find it relatively more acceptable or justifiable than disparities compared to external organizations. Internal comparisons are more common, and employees might attribute differences in pay within the organization to factors such as performance, experience, or job responsibilities.

The independent variable of pay inequity has a significantly negative contribution (65.07%) to employee motivation (Table 10 & 11). The finding that the independent variable of pay inequity has a significant negative contribution (65.07%) to employee motivation is consistent with existing literature on the impact of perceived pay inequity on employee motivation, job satisfaction, and overall organizational outcomes. Numerous studies have highlighted the detrimental effects of pay inequity on employee motivation (Adams, 1963; Colquitt et al., 2013). Equity Theory, proposed by Adams (1963), suggests that individuals compare their inputs and outcomes, including pay, with those of others. When employees perceive disparities in pay compared to their peers, it can lead to feelings of inequity, resulting in decreased motivation and job satisfaction. This aligns with the observed negative contribution of pay inequity to employee motivation in the current study. Colquitt et al. (2013) discuss the importance of distributive justice in organizational settings, emphasizing that fair distribution of rewards, including pay, is crucial for maintaining a motivated workforce. The significant negative contribution of pay inequity in Table 10 and Table 11 aligns with the broader understanding that when employees perceive that their pay is not fair compared to their colleagues, it negatively affects their motivation levels.

6. Implications of the Study

The present study suggests the following practical implications for organizational management.

1. The bank authority may take some specific financial rewards (like additional incentives and increments) and non-financial rewards (like providing better job

position, arranging refreshment tours and travels, additional points for promotion, offering frequent training facilities which will help in career development) to ensure employees recognition or reward for good work.

2. Proper strategies should be introduced to control the pressures for carrying out the duties of bank employees smoothly which will help to improve their level of motivation to perform. To ensure this, organizational rules and regulations related to each operation have to be followed strictly.
3. As motivation of all the bank employees was found to be negatively and significantly correlated to the feeling of pay inequity of the employees, the findings have significant implications for managerial practice. As a part of the effort to improve the motivation of the employees, the management needs to reduce the feeling of pay inequity among the employees of both types of studied banks. This is especially suggested for conventional bank employees. This may be achieved through the adoption of two strategies: (1) formulating and implementing a rational salary structure which will attempt to maintain fairness in the pay of different types of employees on the basis of their efficiency, effort, quality of job and responsibility discharged, and (2) disseminating information about problem related to pay fixation and taking the employees into confidence in such matter.

7. Conclusion

This study investigated the motivation levels of employees in both conventional and Islamic banks, exploring various factors that influence motivation, including perceived pay inequity and organizational culture. The findings contribute to the existing literature on employee motivation in the banking sector, shedding light on the unique dynamics between motivation and different organizational structures. The study's first notable finding revealed high motivation levels among employees in both conventional and Islamic banks, aligning with established literature emphasizing the crucial role of motivation in enhancing job performance, satisfaction, and overall organizational effectiveness (Latham & Pinder, 2004; Sekhar et al., 2013). This positive motivation across both types of banks underscores the universal importance of fostering a motivated workforce. Further, the study highlighted a significant difference in motivation levels between Islamic and conventional bank employees, with the former exhibiting higher motivation. This disparity can be attributed to the distinctive cultural and ethical dimensions of Islamic banking, emphasizing Shariah-compliant practices and ethical conduct (Haque et al., 2017). The alignment of organizational values with personal values contributes to a more motivating work environment, as supported by existing literature (Ryan & Deci, 2017).

Further, the study highlighted a significant difference in motivation levels between Islamic and conventional bank employees, with the former exhibiting higher motivation. This disparity can be attributed to the distinctive cultural and ethical dimensions of Islamic banking, emphasizing Shariah-compliant practices and ethical

conduct (Haque et al., 2017). The alignment of organizational values with personal values contributes to a more motivating work environment, as supported by existing literature (Ryan & Deci, 2017). Moreover, the study delved into the correlation between motivation and perceived pay inequity. The strongly negative correlation observed underscores the detrimental impact of perceived pay inequity on employee motivation, aligning with Equity Theory and organizational justice literature (Adams, 1963; Colquitt et al., 2013). The recommendation for management to address pay inequity aligns with the broader understanding that fair compensation practices are essential for maintaining a motivated workforce. Additionally, the study explored the correlation between motivation and organizational culture, revealing a positive correlation for Islamic bank employees and a negative correlation for conventional bank employees. This underscores the significance of organizational culture in influencing employee motivation, with Islamic banks fostering a positive and values-driven culture compared to potential challenges faced by conventional banks (Moorhead & Griffin, 1989).

The study provides valuable insights into the motivation levels of employees in both conventional and Islamic banks, offering organizations a nuanced understanding of factors influencing their workforces' motivation. The research contributes to the understanding of the impact of organizational culture on motivation, emphasizing the positive correlation observed in Islamic banks and the potential challenges faced by conventional banks. Further, the study offers practical recommendations for management, suggesting strategies to enhance motivation, address pay inequity concerns, and foster a positive organizational culture. Moreover, the findings contribute to the academic literature on employee motivation, organizational culture, and pay equity, enriching the understanding of these dynamics within the banking sector.

Like all other studies, the current research has some limitations. First, the study included employees from a small number of conventional and Islamic banks, limiting generalizability to other regions or bank types. Second, this research captures data at one point in time, restricting the ability to observe changes in motivation or establish causal relationships. Third, data were collected through self-reports, which may be influenced by personal bias or social desirability. Fourth, the study only compared conventional and Islamic banks, excluding other financial institutions or organizational models. Fifth, the research did not explore external influences like economic conditions or market competition, which may also affect motivation.

The current study triggers some directions for further research. Future research may track employee motivation over time to better understand long-term trends and causality. Future researchers may also include a wider range of financial institutions and geographical regions for more generalizable results. Future studies may also investigate other factors, such as job autonomy, leadership styles, and career development that influence motivation. Further, researchers may use interviews or focus groups to gain deeper insights into employee motivations beyond quantitative measures. Moreover, future researchers may examine the impact of external influences like economic shifts or industry regulations on employee motivation.

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