



## Impact of Compensation Packages on Employees Job Satisfaction: Moderating Role of Environmental Uncertainty in Banking Institutions of Kabul

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### ABSTRACT

*This study investigates the impact of compensation on employees' job satisfaction in private banks located in Kabul, Afghanistan. Additionally, it explores the moderating role of environmental uncertainty in this relationship. The study aims to determine the extent to which compensation packages, affects employee job satisfaction, while considering the influence of environmental uncertainty as a moderating variable. Cross-sectional quantitative data is collected through an adopted self-administered survey questionnaire from employees (N=660) of private banks in Kabul. Statistical analyses, including descriptive analysis, reliability analysis, correlation analysis, ANOVA, and regression analysis were conducted using the SPSS. The findings of this study indicate that compensation packages have a significant impact on employee job satisfaction. It reveals that employees' perception of their compensation, including salary, benefits, and incentives, plays a crucial role in determining their level of job satisfaction. Higher levels of compensation are positively associated with increased job satisfaction among employees in private banks. Furthermore, the study highlights the moderating role of environmental uncertainty in the relationship between compensation packages and job satisfaction. Environmental uncertainty refers to the volatility, complexity, and unpredictability of the external business environment. The findings suggest that organizations should carefully design and implement compensation packages that align with employees' needs and expectations, considering the contextual factors of the business environment.*



## **Introduction**

In this modern, global and severely competitive business world, it is really difficult task for profit and non-profit organizations to survive without having proper skillful and professional human resource, so therefor; human resource is considered a really valuable capital in the organization. Having proper human resource will ensure organizational productivity, quality and better performance, so if organizations want to achieve productivity, quality and better performances, organizations must recruit proper human resource (Zaeni et al., 2022). Today around the globe all organizations realized and recognized the significance of human resource, so therefore, the organizations are trying their best to compensate their employees properly which create job satisfaction, and it will have impact on organization performances. Compensation package is one of the substantial tools in Human Resources Management (HRM) (Rinny, Purba, & Handiman, 2020). If organization applies effective compensation system or packages, it will expressively impact organizational growth and expansion by showing or displaying great external attractiveness, internal impartiality and equity on individual bases (Wagari, 2020). Both internal and external fairness can help organization to attract talented, skillful and well qualified employees to organization which will benefit organization in their performances against their rivals, if organization provide good compensation, it will help them attract better employees and internal justice assist businesses to keep talented employees (Novitasari et al. 2020).

Organizations should make sure that employees and co-workers are making the same number of contributions and in return employees attain the same amount of compensation. Separate equity will let workers of an organization to sense that their skills and qualifications are completely satisfied and therefore, employees are stimulated and satisfied (Hidayati, L., & Zulher, Z. 2022). There is a strong link between compensation systems and overall organizational strategy, so it becomes very indispensable for organizations to manage this relationship effectively and while formulating strategies, the companies should consider compensation packages as an important part in strategies formulation and implementation (Nurlaila, P. (2022). How companies can make the most advantages out of payment systems are the most serious problem coming across human resource managers (Alam, 2009).

Private banking sector in Afghanistan is also concerned about strategies of compensation packages because alongside other factors such as working environment, work motivation compensation also plays a crucial role in employees job satisfaction, and it can be the main problem leading to employee dissatisfaction and satisfaction. Since the banks want to improve their productivity in terms of banking services, it is strongly required to create job satisfaction for the employees. Furthermore, the banking sector is getting pretty competitive due to recent political shift in the country. Since then, the banks want to pay serious attention to overall management more importantly to pay system to their employees in order to compete well and survive (Pangabea et al., 2022). Human Resource Management (HRM) occupies an indispensable space for several different reasons such as Human Resource Management (HRM) integrates the entire task are done around the working area. Secondly, proper utilization of the resources is made sure by the presence of Human Resource Management (HRM). Now, it is really important for the organizations to consider human resource as a factor of success because satisfied employees stay longer with the organizations which further leads to employee's locality, so once the organization has loyal and satisfied employees the success rate is increasing; organizations has to try to keep employees satisfied by given the employees proper compensation packages which will motivate them to become more productive and loyal to the organization (Pratama et al., 2022). This research will also study and examine compensation packages impacts on employee job satisfaction.

The study is going to be conducted on private banking sector in Kabul, Afghanistan. Improper compensation packages will definitely have negative impacts on employee's satisfaction which later on can cause troubles and obstacles for the organization because in most cases employees can be attracted to any vacant position in organization by offering proper compensation, (Tanjung et al., 2022). Dissatisfaction will have negative impact on overall performances of the organization, so if organizations want to improve their performances and productivity, organizations should pay attention to their compensation packages. According to (Uzer, 2017) it is really indispensable for organizations to take into account the satisfaction level of their employees which is really important if organizations are really interested to present high class or standard products or services to customers. The main concentration of my research study is to find and understand the relation between salary and bonuses, rewards, allowances and environmental uncertainty as a moderator variable and its influence on job satisfaction levels of employees in private banking area in Kabul-Afghanistan. Current study is conducted on private banking sector based in Kabul-Afghanistan.

### **Research Objectives**

- To investigate and understand the relationship between compensation packages and employee job satisfaction in the private banking sector based in Kabul-Afghanistan.
- To check out the moderating role of environmental uncertainty on the relationship between compensation packages and employees job satisfaction.

### **Literature Review**

#### **Compensation Management**

Compensation is something that the organizations cannot overlook it by any means because it has strong effect on employees' performances. Compensation must be considered as an essential and determining factor of employee's performance. Since compensation is a factor that can lead to better performances, the organizations have to take the subject into serious account due to the fact that substandard performance leads to job dissatisfaction. Compensation is considered as one of the most significant function in HRM (Human resource Management) which manipulates or manages all those types of benefits people or employees obtain in return for carrying out organizational work or duty which are their responsibilities (Elisa et al., 2022). Compensation is considered by people or organizations as a major cost suffered by a business or non-business organizations. However, in the modern era the human resource is not only a resource, but a capital for the organization or we can say human capital which plays important role in the success of the organization, therefore, compensating employees for achieving their job satisfaction is not considered as a cost but rather investment by organization because well compensated and trained employees will have job satisfaction which will lead them to better performance which can benefit the organization in term of organization's performances (Armstrong, 2010). Heathfield (2012) has defined the term compensation as one of the selected packages or amounts of money being provided to workers or employees of an organization by an organization in return to what the employees have performed or will perform for the concerned organization. Therefore, when workers start thinking that they are getting proper benefits or compensation from the organization, a condition of emotional displeasure is created because employees or everyone work in organizations for some benefits which can be financial benefits and as well as non-financial compensation or benefits. Consequently, according to Suprpto et al., (2022) less pay or improper compensation to employees in return to the work they have done be the reason and aspect which is leading to job dissatisfaction and job dissatisfaction leads to decrease in performance. Direct

packages of Compensation have unimportant impact on innovative work of employees and their job satisfaction; however, indirect compensation was confirmed to have impact on work behavior and innovation of employees (Qawasmeh & Wahab, 2022). On the other side ideal or good compensation strategy, will help employees to work harder, give their best, work for their potentials and show more dedication and commitment towards their assigned jobs and responsibilities (Khan, Shah & Zaman, 2013). It is a methodical tactic or method to give or offer financial value to employees or workers of an organization by their employers in return for their work being performed. Proper Compensation will create opportunities for organizations to achieve several drives such as job satisfaction and job performance and productivity of employees (Yamoah, 2013). According to Aslam et.al (2015), the term compensation is a very wide-ranging subject or practice that describes various things such as payments and rewards provided to workers and employees in order to encourage them and use their abilities and skills for the betterment of the organization. Studies suggest that Compensation is not only about consistent rewards for work performed by employees besides efforts put by employers to satisfy and keep employees for longer period of time which increase organization's productivity. Compensation goes beyond salary. It includes other benefits such as incentives, bonuses, rewards and salary payments (Scott, et al, 2007). Simply put, compensation management is a general policy and strategy of organizations, intended to help a firm maximize the earnings on available capacity. Based on the opinion of Osibanjo et al., (2014), states that the term compensation package such as salaries, rewards, allowances and other bonuses given must be attractive enough to keep employees satisfied and happy; not considering another job opportunity or a better place which can offer him or her a better salary package, career growth and development chances and occasions, better benefits both financial and non-financial.

## **Underpinning Theory**

### **Locke's Value Theory**

This particular theory was conceptualized by E.A. Locke. This theory believes that employee's job satisfaction is highly related to what the employees get in return for their job. If employees get the result or outcomes that meet their expectations then automatically job satisfaction occurs. As much positive outcomes and results employees receive from what they do means their job that helps the employees to feel satisfied; the less value they get from their job, the less they are satisfied. In other words, the inconsistency between present features of the job and the desired aspects of the job by workers can generate job dissatisfaction. This theory encourages the management to concentrate on those areas which have the potential to cause job dissatisfaction among employees, so management must manipulate things well and transform job dissatisfaction into satisfaction.

### **Equity Theory**

According to this theory, there must be fairness in terms of payment to the employees of the organizations. If the employees come to know and realized the fact that they are being paid fairly, it will increase their job satisfaction, productivity and loyalty. On the other hand, if the employees feel that they are paid unfairly, it will definitely cause job dissatisfaction, less productivity and increased turnover which can cause severe troubles to the management in terms of cost and quality. So, it should be considered to pay fairly.

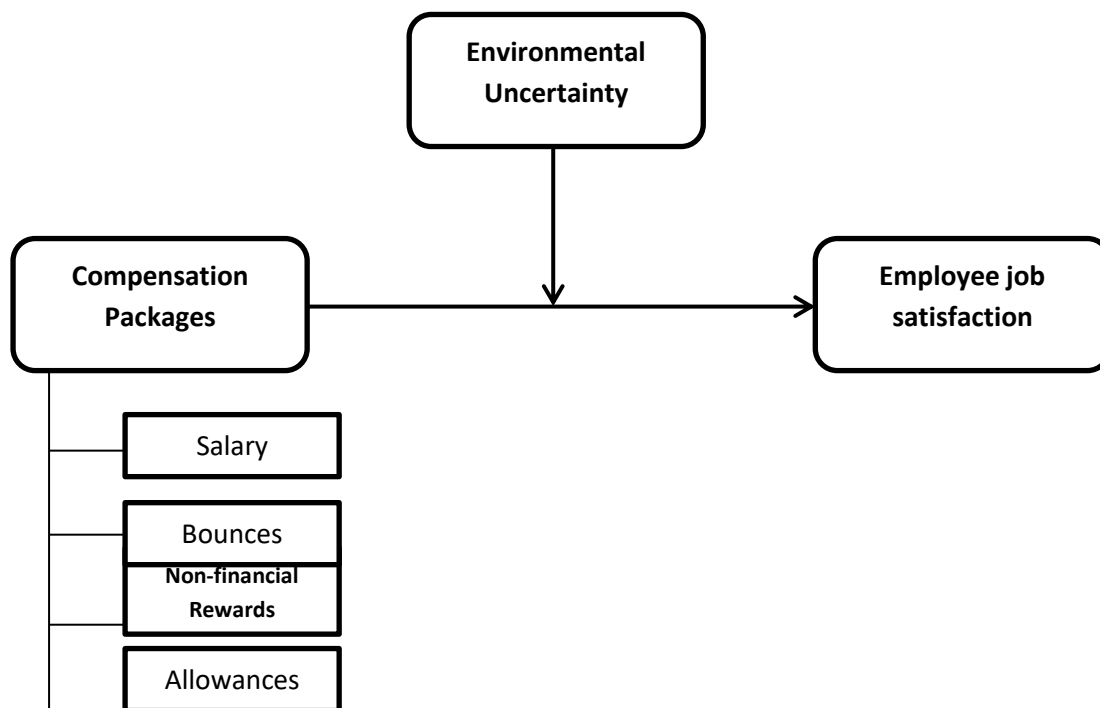
## **The Link Between Compensation Packages and Employees' Job Satisfaction**

Studies show that there is a significant and also insignificant relation between and job satisfaction. Some studies show that Compensation does perform a noteworthy part in persuading Employees on their job and create job satisfaction and willingness based on two reasons. First, money is one of the most important tools in fulfilling ones needs; second workers often see and consider pay as a reflection of managements' concern for them. Thus, employees want from management a system of compensation, which is simple, fair, based on merit and meet the expectations of employees. According to (Bozeman & Gaughan 2011) The study is going to analyze the bearing effect of compensation packages on employees' job willingness with the inclusion of a moderating variable such as customer's satisfaction (environmental uncertainty).

### **Environmental Uncertainty**

Environmental uncertainty will be and important moderating variable in the context of studying the relation of compensation packages and its impact on Employees' job satisfaction because the term environmental uncertainty refers or talks about the amount of unpredictability which exist in the internal and external environments where organization having operations (Sharfman & Dean, 199); (McKelvie, Haynie, & Gustavsson, 2011) environmental uncertainty includes customers satisfaction and dissatisfaction issues ,technological development, market growth, and institutions (Wang & Wu, 2008; Li, Peng, & Macaulay, 2013).

### **Conceptual Framework**



**Figure 1: Conceptual Framework**

### **Hypotheses**

H<sub>1</sub>: Compensation packages have a positive impact on employee job satisfaction.

H<sub>2</sub>: Environmental uncertainty positively moderates the relationship between compensation packages and employee job satisfaction

## **Research Methodology**

### **Research Design**

This research is based on quantitative techniques as the purpose of this research is to study the influence of compensation packages (Salary, Bonuses, rewards and allowance) with the help of moderating variable environmental uncertainty and employees' job satisfaction. As the nature of this research is quantitative, so questionnaire is the most proper way to collect data from the study respondents. The data collected is further analyzed through statistical package for social sciences.

### **Population**

To find the impact of compensation packages on employees' job satisfaction with the help of moderating variable environmental uncertainty, the researcher would like to study and analyze the Kabul based private banking sector in Afghanistan which forms the largest part of service industry in Afghanistan which has branches in various parts of the country. There are approximately 7 private banks in Kabul. The target population for the research will be the employees of the banks in the operational level. These banks have around 369 branches across the country, which have employed more than 800 of employees within Kabul. The study will include the most part of the population for the test and analysis in order to improve validity of the study.

### **Sample Size and Sample Techniques**

Sample size signifies a part of population. Sample from the complete data of all private banks will be collected through convenience sampling since it is very difficult and time consuming to include the whole population of above-mentioned institutions to test the hypothesis. For the survey of the study and data collection, questionnaire will be distributed among the 650 employees of selected organizations. The questionnaires are adopted. For job satisfaction (Lee, 2002) and Compensation Packages Questionnaire is adopted from (Takeuchi et al. 2007). And environmental uncertainty questionnaire is adopted from (Carson et al. 2006)

### **Measurements and Instrumentation**

An adopted survey questionnaire is used for data collection from sample respondents. The items related to Compensation packages have been adopted from Takeuchi et al., (2007). Further Environmental uncertainty, which is the moderating variable is measured with items adopted from Carson, Madhok, & Wu, (2006). The dependent variable which is job satisfaction is adopted from Lee (2002). All the items is measured with Liker scale from 1 for strongly disagree to 5 for strongly agree.

### **Statistical Analysis**

Different statistical tools have been applied for data analysis. Descriptive analysis to explain demographic characteristic of sample respondents. Further, Cronbach's Alpha statistic is used for measuring internal consistency of the measurement instrument. Correlation and regression analysis are conducted for hypotheses testing. All the analysis have been conducted using SPSS 25 version.

## Results

### Demographic Analysis

Demographic analysis is conducted for the aim to examine the demographic characteristics of the respondents of the study. In below section, results of the age, gender, education, and experience demographic are presented:

**Table 1: Demographic Profile**

Variable	Categories	Frequency	Percent (%)
<b>Gender</b>	Male	660	100.0
	Female	0	0.0
<b>Age</b>	18-34 years	360	54.5
	35-44 years	157	23.8
	45 years and above	143	21.7
<b>Experience</b>	Less than 5 years	280	42.4
	6-10 years	156	23.6
	More than 10 years	224	33.9
<b>Education</b>	High School	105	15.9
	Undergraduate	243	36.8
	Postgraduate	312	47.3

### Reliability Analysis

Reliability analysis is conducted for the aim to examine that whether the scales used in the study to measure the variables were having internal consistency or not. The Cronbach Alpha was analyzed for the variables as shown in the below table.

**Table 2: Reliability Analysis**

S.no	Variable	Type of variable	Cronbach Alpha Value
1	Employee job satisfaction	Dependent	0.644
2	Salary	Independent	0.742
3	Bounces	Independent	0.731
4	Rewards	Independent	0.873
5	Allowances	Independent	0.664
6	Environmental Uncertainty	Moderating	0.683

Table 2 shows the values of the Cronbach Alpha for the variables of the study. The generally acknowledged rule is that value of greater than 0.6 shows the acceptable level of the reliability, and value 0.8 or greater than 0.8 shows very good level. As shown in table 2, all the values of the Cronbach Alpha for the variables of the study were higher than 0.6, thus shows that all the variables were reliable.

**Descriptive Analysis**

Descriptive analysis presents the characteristics of the variables used in the study to analyze the normality of the data. In this study, mean, standard deviation, maximum and minimum values of the variables were determining to examine their descriptive characteristics.

**Table 3: Descriptive Analysis**

S.no	Variable	Type of variable	Mean	SD	Min	Max
1	Employee job satisfaction	Dependent	3.91	0.731	0.211	0.481
2	Salary	Independent	3.141	0.641	0.141	0.393
3	Bounces	Independent	3.713	0.783	0.293	0.414
4	Rewards	Independent	3.987	0.684	0.284	0.451
5	Allowances	Independent	3.345	0.681	0.314	0.451
6	Environmental Uncertainty	Moderating	4.241	0.685	0.381	0.481

Table 3 is showing that, mean value for the dependent variable i.e., Employee job satisfaction was 3.91, having standard deviation value 0.731, a minimum value of 0.211 and dependent variable i.e., Employee job satisfaction was having maximum value of 0.481, similarly, mean value for the independent variable i.e., Salary was 3.141, having standard deviation value 0.641, a minimum value of 0.141 and dependent variable i.e., Employee job satisfaction was having maximum value of 0.3931. Likewise, mean value for the independent variable i.e., Bounces was 3.713, having standard deviation value 0.783, a minimum value of 0.293 and dependent variable i.e., Employee job satisfaction was having maximum value of 0.414. Similarly, mean value for the independent variable i.e., Rewards was 3.987, having standard deviation value 0.684, a minimum value of 0.284 and dependent variable i.e., Employee job satisfaction was having maximum value of 0.451. Similarly, mean value for the independent variable i.e., Allowances was 3.345, having standard deviation value 0.681, a minimum value of 0.314 and dependent variable i.e., Employee job satisfaction was having maximum value of 0.451. Lastly, mean value for the moderating variable i.e., Environmental Uncertainty was 4.241, having standard deviation value 0.685, a minimum value of 0.381 and dependent variable i.e., Employee job satisfaction was having maximum value of 0.481.

**Regression Analysis**

Regression analysis depicts the impact of the independent variable on the dependent variable of the study. The below table presents the results of the regression analysis.

**Table 4: Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	0.711	0.661	0.613		0.216	2.35

Table 4 is showing results of the model summary of the study showing the values of the R, R square and Adjusted R square. As shown in the table, value of the Adjusted R square is 0.613, meaning that unit change in the independent variables i.e., salary, bounces, rewards and



allowances predicts 61 percent change in the dependent variable of the study i.e., employee job satisfaction.

**Table 5: Coefficient**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficient</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(constant)	1.14	.337		2.171	0.081
Salary	.513	.031	0.321	4.121	0.001
Bounces	.451	0.24	.421	3.41	0.024
Rewards	.381	0.14	.361	2.71	0.031
Allowances	.321	0.31	.241	2.13	0.023

a. Dependent Variable: employee job satisfaction

Table 5 above shows the results of the coefficients. The greater value at relevant significant value shows that the variable has more contribution. The above table is showing that coefficient value of salary is higher i.e., .513 at (t=4.121 and p=0.001), thus meaning that salary has more significant positive impact on employee job satisfaction. Also, coefficient values of Bounces, Rewards and Allowances are .451(t=3.41 and p=0.024), .381(t=2.71 and p=0.031) and .321(t=2.13 and p=0.023) respectively. Thus, meaning that Bounces, Rewards and Allowances are also having a positive significant impact on employee job satisfaction. Thus, H1, H2, H3 and H4 of the study are accepted.

**Moderation Analysis**

Environmental Uncertainty was taken as the moderating variable between the independent and dependent variable of the study. Cohen, Cohen, West and Aiken (2013) technique of the moderation analysis was also used here. Environmental Uncertainty was taken as the moderating variable between the compensation packages and employee job satisfaction. The results are presented below.

**Table 6: Moderation Analysis**

<b>Environmental Uncertainty</b>			
	<b>B</b>	<b>Δ R2</b>	<b>Sig.</b>
<b>Step 1</b>			
Age	.03		
<b>Step 2</b>			
Salary	.513		
Bounces	.451		
Rewards	.381		
Allowances	.321		
Environmental Uncertainty	-0.312	.341	
<b>Step 3</b>			
Salary X Environmental Uncertainty	-.104		
Bounces X Environmental Uncertainty	-.203		
Rewards X Environmental Uncertainty	-.301		
Allowances X Environmental Uncertainty	-.241	.104	0.034

Table 6 shows the results of the moderating analysis. In step 1, age was taken as the control variable of the moderation analysis. Then at step 2, Salary, Bounces, Rewards and Allowances were entered showing the coefficient value of .513, .451, .381 and .321 respectively. At step3, product terms of the Salary X Environmental Uncertainty, Bounces X Environmental Uncertainty, Rewards X Environmental Uncertainty and Allowances X Environmental Uncertainty were entered that gave the coefficient values as -.104, -.203, -.301 and -.241 respectively, and the value of R square reduced from .341 to .104 at  $p=0.034$ , thus showing that Environmental Uncertainty has a negative and significant moderating role between independent variable Compensation Packages and dependent variable employees job satisfaction. Thus, H5 of the study was also accepted.

## **Discussion and Conclusion**

### **Discussion**

The discussions in this study emphasize the crucial role of employees as valuable assets for organizational success. Just as fuel is required to keep a machine running, compensation packages are necessary to motivate employees and drive them towards achieving organizational goals, vision and mission. Organization utilizes their resources to achieve their goals, however on top of that, it is required for the organizations to effectively use human resources since it is the integral part which assures the success of the organizations. Compensation plays a significant part in influencing employees' job satisfaction and motivation for two key reasons. Firstly, money is a fundamental tool for fulfilling individuals' needs, and fair compensation can contribute to meeting these needs, enhancing employee satisfaction. Secondly, employees often perceive their pay as a reflection of management's concern and appreciation for their contributions. Therefore, appropriate compensation packages have the potential to create opportunities for organizations to achieve various outcomes such as job satisfaction, improved job performance, and increased employee productivity.

Considering the context of the study, the world we live in is characterized by unpredictability and uncertainty. Environmental uncertainty, both internal and external to the organization, is an important moderating variable to consider when examining the relationship between compensation packages and employee job satisfaction. Environmental uncertainty refers to the extent of unpredictability and volatility present in the organizational environment. The presence of environmental uncertainty can impact how compensation packages influence job satisfaction. Organizations operating in uncertain environments may need to adapt their compensation strategies to mitigate the potential negative effects of uncertainty on employee job satisfaction.

By acknowledging the moderating role of environmental uncertainty, this study recognizes that the relationship between compensation packages and job satisfaction may vary depending on the level of uncertainty faced by the organization. This highlights the importance of considering contextual factors when designing compensation packages and managing employee satisfaction in dynamic and unpredictable environments.

The realities of quickly altering compensation systems and practices make organizations to think about the compensation again and from a different perspective. In conclusion, dealing and manipulating compensation in specially in the banking industry is a difficult task to do because the organization must discuss it from various sides since the banking industry is suffering so many problems these days such as high ratio of withdrawal and less deposits, furthermore, lack of international investment, and moreover, lack of government support and changing policies of

current government. Considering all these factors, the organizations have to change their strategies in terms of compensation. Findings of the study indicate that compensation plays indispensable role in achieving employees' job satisfaction. The study asks private banks to reconsider the compensation practices since it has impact on employees' job satisfaction.

In conclusion, the discussions highlight the significance of compensation packages in influencing employee job satisfaction and motivation. They emphasize the importance of fair compensation in fulfilling employee needs and signaling management's support. Furthermore, the study recognizes the role of environmental uncertainty as a moderating variable, acknowledging that compensation strategies may need to be tailored to address the challenges posed by uncertain environments. By considering these factors, organizations can enhance employee satisfaction, performance, and productivity.

### **Conclusion**

This research study demonstrates that compensation packages have a substantial impact on employee job satisfaction in the private banking sector located in Kabul, Afghanistan. The findings indicate that employees' perception of their compensation, including salary, benefits, and incentives, significantly influences their level of job satisfaction. Adequate compensation plays a vital role in meeting employees' needs and reflecting management's concern for their well-being, thereby positively affecting their job satisfaction. Moreover, this study highlights the moderating role of environmental uncertainty in the relationship between compensation packages and employee job satisfaction. Environmental uncertainty refers to the extent of unpredictability and volatility in the internal and external environments in which organizations operate. The results reveal that the impact of compensation packages on job satisfaction varies based on the level of environmental uncertainty. In uncertain environments, where the organization faces greater challenges and unpredictability, the effect of compensation packages on job satisfaction may be more pronounced.

The findings of this study hold relevance for both academic and practical purposes. Academically, this research contributes to the existing literature by providing empirical evidence of the impact of compensation packages on employee job satisfaction in the private banking sector in Kabul. It expands our understanding of the factors influencing job satisfaction in this specific context. From a practical perspective, the results of this study offer valuable insights for organizations operating in the private banking sector in Kabul. By recognizing the importance of compensation packages in enhancing job satisfaction, organizations can strategically design and implement compensation strategies that align with employees' needs and expectations. Additionally, understanding the moderating role of environmental uncertainty enables organizations to adapt their compensation practices to effectively manage the challenges and uncertainties they face.

### **Limitation and Future Direction**

In future the researcher can increase the number of independent variables e.g., can include perceived organizational support in independent variables. This study is only conducted in private banks so this research can also be carried out in other sector e.g., telecom or textile sector and as there is environmental uncertainty in moderation so the agriculture sector is a very good option to carry out this research in. This study only focused on private banks located in Kabul city because due to security threats, it was not feasible to collect data from other provinces as well. Time and financial constraints were there which affected data collection period and span.

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